

FINANCIAL STATEMENTS QUARTER ENDED 31 JANUARY 2009



KEY PERFORMANCE INDICATORS

		Quarter ended 31 January 2009	Quarter ended 31 October 2008	Quarter ended 31 January 2008	Seven months ended 31 October 2008
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INCOME STATEMENT

Gross Margin	%	32.7%	29.4%	20.0%	25.2%
Selling Expenses	%	4.3%	4.0%	3.0%	3.8%
General and Administrative Expenses	%	6.9%	6.4%	7.1%	6.3%
Operating Margin	%	21.5%	18.9%	9.8%	15.1%
Net Margin	%	21.5%	20.5%	9.2%	15.5%

BALANCE SHEET

Cash and cash equivalents	Rs Millions	3,115.4	731.2	1,445.5	545.9
Receivables	Days	43	41	42	41

HUMAN RESOURCES

Employees					
Application Services	Nos	11,229	10,591	10,588	10,591
BPO Services	Nos	13,956	13,972	12,346	13,972
ITO	Nos	4,803	4,232	3,597	4,232
Utilisation					
Application Services	%	74%	78%	67%	75%
BPO Services	%	65%	68%	66%	68%
ITO	%	73%	73%	71%	71%

CLIENTS

Top Client	%	15%	15%	12%	14%
Top 5 Clients	%	36%	33%	32%	34%
Top 10 Clients	%	50%	48%	48%	47%
Clients contributing					
>\$ 1 mm Per annum	Nos	95	94	85	95
>\$ 5 mm Per annum	Nos	31	32	27	29
>\$ 10 mm Per annum	Nos	21	18	15	17
>\$ 20 mm Per annum	Nos	7	8	7	9

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GROUP OVERVIEW & TRENDS

MphasiS Value Co-creation Ecosystem

We in MphasiS believe in Value Co-creation for all our stakeholders - Employees, Clients, Shareholders and our Community.

Our success echoes our ability to imbibe and live by our values of being **Open, Transparent and Honest, Collaborative, Demanding Excellence and Honouring our Commitments**.

Our values colour perspectives, rule behaviour and define who we are. We take our values very seriously and have ensured that this is cascaded to all our employees irrespective of levels and roles. We have strived to create an environment where when we walk into our work place, we are proud of our association. And at the end of the day, when all is said and done, we are able to hold our head high and know that we given our best to all our tasks.

We could accomplish a stellar performance on account of the strong Value system and a culture that permeates right attitude. Our values guide our day to day behaviour and act as our beacon that will propel us to achieve our Vision.

Our Winning Culture is the vision, mission and values that will drive us to our business goals. It establishes a shared platform to ensure consistent language, shared agenda across the breadth and depth of the organization.

Winning Culture was designed to introduce and propagate the Vision and Values system to the organization, one employee at a time, through a series of interactive activities and visuals. Each value was presented to employees to ponder over, comment on and absorb.

Our goal is to: **“Achieve sustained, unprecedented growth by delivering enhanced value to customers, employees, shareholders and the communities we operate in”**.

Increasing the intensity of focus on key areas enabled us to deliver to all the above stakeholders and also get recognized in different ways.

Key accolades during 2008 include

- Ranked as No. 4 Fastest Growing Mid-Size company by Business Today
- Ranked at No. 187 by Economic Times in the annual ET 500 2007-08 rankings; this represented an upward movement of 90 places from last year’s ranking in the same survey
- Ranked among the Top 100 Outsourcing Companies in the world by Global Outsourcing Survey 2008 compiled by the International Association of Outsourcing Professionals
- Won the ‘Amity HR Retention Award’ for the second year running in recognition of our achievements in employee retention
- Won the Government of India’s 2008 National Award for Best Employer for the empowerment of persons with disabilities
- Won the National Center for Promotion of Employment for Disabled People (NCPEDP) - Shell Helen Keller Award 2008 for being “A Company that demonstrates its belief in equal rights and gainful employment for persons with disabilities, through its policies and practices”

MphasiS delivering value to Shareholders

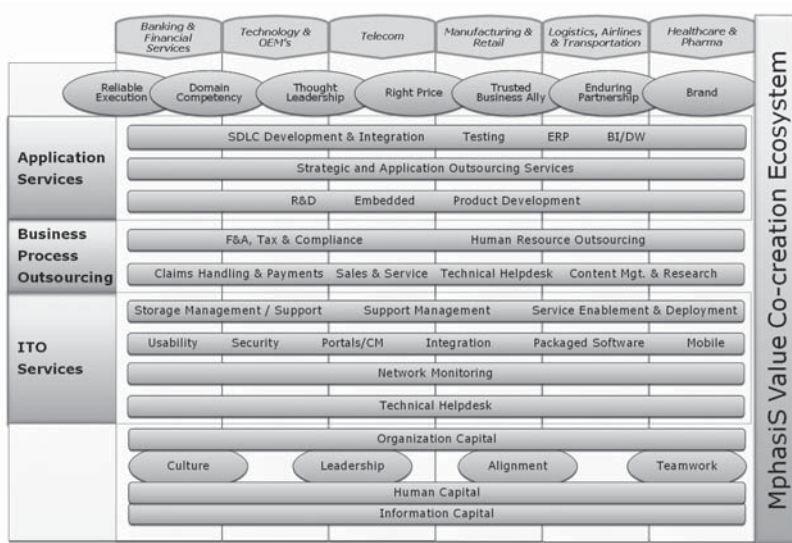
Despite global economic challenges, we have held out against the tide, and accomplishing a stellar performance. We have come together as a team, aligned by our values, and delivered the best for our shareholders.

GROUP OVERVIEW & TRENDS

MphasiS delivering value to Customers:

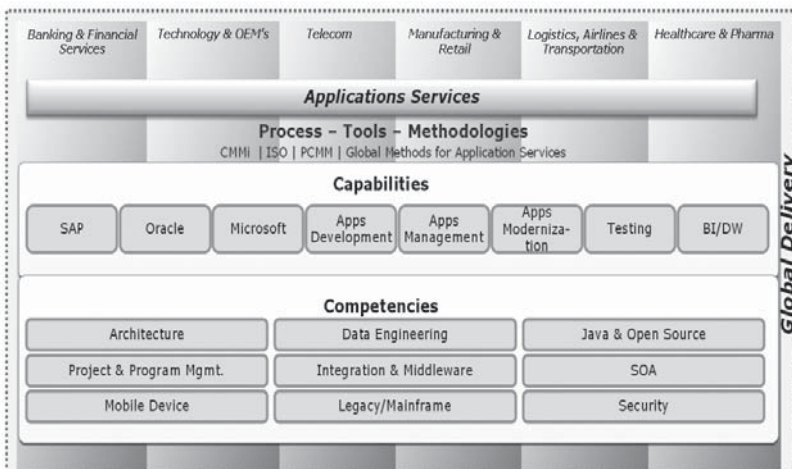
MphasiS enables clients solve complex issues and transform their business - both in times of economic challenges as well as in periods of growth.

Our spectrum of services in Applications, Infrastructure and BPO is detailed below:



Applications Services

The Apps portfolio is aligned with EDS Applications portfolio. The Horizontal capabilities include Applications Development, Applications Management, Applications Upgradation, SAP, Oracle, Microsoft, Testing and Business Intelligence. All our Apps services follow standard processes and use common tools – across all centers. Our Quality framework is built on industry leading standards – CMMi, ISO NASSCOM in its 2008 Annual Software Services & BPO Survey ranked our Apps services at No 9.



Apps Key Highlights:

- Framework for end-to-end engagement management
- Services based on industry frameworks/models: CMMi, ITIL/ITSM
- Rich repository of processes, templates, guidelines, checklists
- Consistent tools and processes
- Standard, industrialized delivery model
- Pre-configured, pre-tested application components

Business Process Outsourcing

Poised to provide multiple solutions, our BPO service was ranked No. 15 in the 2008 NASSCOM Annual Software/ Services & BPO Survey. With a current headcount of over 13,000, the BPO unit continues to focus efforts on cost re-engineering to attain profitability while continuing to provide unique business value proposition to our clients.



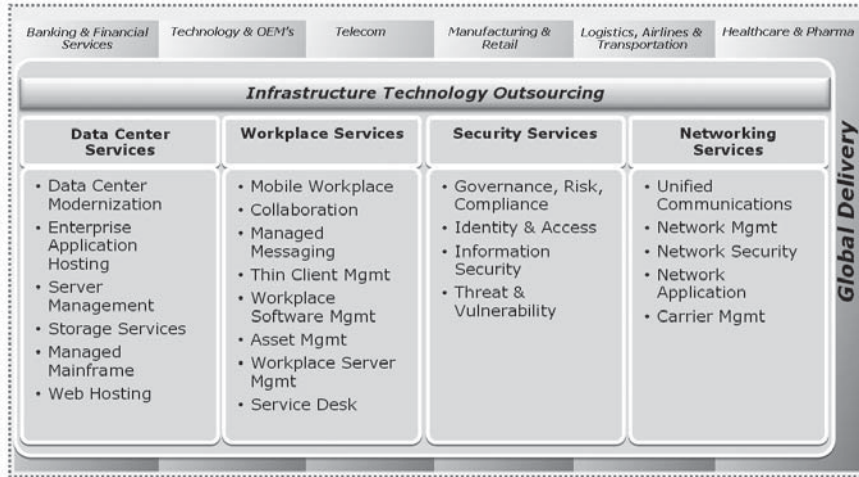
BPO Key highlights:

- Locations across India (19 sites), Mexico & China
- Over 40 global clientele - Majority are Fortune 500
- 30 million Back Office transactions per year in multiple languages
- Over 220 million Voice transactions per year in multiple languages

GROUP OVERVIEW & TRENDS

Infrastructure Services

Coupled with the prowess of EDS ITO Pedigree, Skills, Quality, and Cost Leverage, ITO continues to be our fastest growing business. Scaling aggressively to migrate large blocks of work to India. Our key focus areas are Remote Infrastructure Management, Green IT and Virtualization.



ITO Key highlights

- Strong offshoring capability with a robust transition methodology
- 4500+ professionals; 2000+ ITIL trained
- Servicing 50+ global clients
- Largest service desk in Indian IT; Largest service desk for EDS
- Support 85000 desktops for one client

MphasiS delivering value to Employees:

We recognize that the most important and strategic tool we have is our human talent. Our employees are the foundation on which our success has been built. Over the period, this foundation has grown to an strength of around 30,000 employees spread across 13 countries.

We are combining talent, technology and organizational design to generate much higher profits per employee. Ideas are being monetized and work environments stimulated with more interesting jobs for employees to create more valuable products and services for our customers.

We are good and getting better at materializing thoughts to plans and finally to production. Our recent results must make us proud and we commit to stay focused and continually create value to all our stakeholders.

MANAGEMENT DISCUSSION OF RISKS AND CONCERNS

Any Group needs to ensure that it has a proper continuous risk identification and management process. This process will generally involve the following steps:

- Identifying, ranking and sourcing risks inherent in the Group's strategy (including its overall goals and appetite for risk);
- Selecting the appropriate risk management approaches and transferring or avoiding those risks that the business is not competent or willing to manage;
- Implementing controls to manage the remaining risks;
- Monitoring the effectiveness of risk management approaches and controls;
- Learning from experience and making improvements.

Since June 2006, the Group has become a subsidiary of Electronic Data Systems Corporation (EDS). In terms of a merger agreement executed between Electronic Data Systems Corporation, Hewlett-Packard Company ('HP') and Hawk Merger Corporation, the last named company merged into Electronic Data Systems Corporation on 26 August 2008. As a result of this merger, Electronic Data Systems Corporation became a 100% subsidiary of HP and was renamed as Electronic Data Systems LLC. Further, HP became the ultimate holding company of Mphasis.

Hewlett Packard is a technology company that operates in more than 170 countries around the world with a revenue totalling \$118.4 billion for the fiscal ended October 31, 2008. HP was founded in 1939 and has its Corporate headquarters in Palo Alto, California, USA. This acquisition of EDS by HP has significantly altered the risk profile of the Group as also given it greater access to international markets combined with a strong governance process.

Management has identified certain areas of risk where the Group is vulnerable, listing them below along with actions to deal with the same and thereby mitigate, if not eliminate such risks. Management strives to ensure a policy of strong corporate ethics driven by correct organisation culture rather than by legal requirements. Thus, healthy internal systems and practices are based on best practices rather than on legal compliance.

Business Risks

Economic crisis

The Group derived 89% of its revenues for the quarter ended 31 January 2009 from the US and Europe. The economic crisis that these regions are currently going through as well as their spill over effect on India and the Asia Pacific region are likely to affect the Group's revenues and profitability.

Client concentration risk

The Group derived 15% of its total revenues during the quarter ended 31 January 2009 from a single client. The Group's profitability and revenues would be affected in case of loss of this client or a significant downsizing of projects given to the Group by this client. The overall trend is a declining client concentration and the Group is confident that this will continue. Increasing volume of the group's business will be sourced through EDS/HP and any significant changes in EDS/HP or in its relationships with the clients it seconds to the Group could also affect revenues. 45% of the total revenues is currently sourced through EDS/HP under the Master Service Agreement.

Business concentration risk by vertical

The Group derived 43% of its revenues for quarter ended 31 January 2009 from the Financial Services vertical, which include banks, brokerages, insurance companies and financial institutions. A downturn in the fortunes of clients in this group or a reduction in their IT spending / budgets, would adversely affect the Group's own profitability. Due to the association with EDS, the Group has successfully broadened its base into technology, Manufacturing and telecom verticals. The shares of revenue from financial services vertical have not grown during the year. There has been an increase in the area of technology, manufacturing & telecom vertical creating a better balance in the revenue portfolio.

Competition risk

New competitors may enter the markets the Group operates in or current competitors could decide to focus more on these markets, and thereby intensify the highly competitive conditions that already exist. These new entrants and existing competitors could offer or introduce new technologies, offer a different service model, or could treat the services to be provided by one of our businesses as a component of a larger service offering. Such developments would enable these new and existing competitors to offer similar services at reduced prices. Such developments could harm the Group's business and results of operations.

MANAGEMENT DISCUSSION OF RISKS AND CONCERNS

The market for software development services is highly competitive and subject to rapid technological change, regulatory developments and emerging industry standards that the Group expects will continue. This could result in lower margins in future for the Group and could also result in increased pricing pressures. Certain of the Group's competitors have substantially greater financial, technical, marketing and other resources than the Group, and competitors of the Group have made and continue to make significant investments in the construction of new facilities. To the extent the Group is unable to compete effectively against its competitors, its financial condition and results of operations would be materially and adversely affected.

Management expects competition to persist and increase in the future. Management continuously monitors competition and modifies the business model to adequately compete but it cannot assure that the Group will be able to compete successfully against these or future competitors.

Management expects that a portion of the Group's anticipated future revenue growth in the various business segments will be derived from:

- The continued selling of services to our existing customers;
- The planned introduction of new or enhanced services;
- The selling of services to new customers;

How successful the Group will be in these efforts will depend on a variety of factors, including the Group's:

- Service offerings;
- Effective sales and marketing efforts;
- Ability to attract new as well as retention of new and existing customers;
- Market acceptance and the avoidance of difficulties or delays in development or
- Introduction of new services.

The alignment with EDS has significantly reduced this risk and the Group plans to leverage EDS' existing client relationships to broaden its client base.

International operations risk

The Group has international operations in many countries like Australia, Belgium, China, Germany, Japan, Mexico, The Netherlands, Singapore, UK, and the US. International operations are subject to various risks which could adversely affect those operations or the business as a whole, including:

- Costs of customizing products and services for foreign customers;
- Difficulties in managing and staffing international operations;
- Reduced protection for intellectual property rights in some countries;
- Longer sales and payment cycles;
- The burdens of complying with a wide variety of foreign laws; and
- Exposure to local economic conditions.

HP has operations in 170 countries and MphasiS is expecting to partner with HP and EDS in several of these geographies where it currently may not have a presence. This may increase the risk of international operations within the Group. However, the Group plans to leverage the EDS experience & expertise in operating in these geographies to mitigate these risks to a large extent.

Overseas tax obligation risk

The Group is also required to comply with various state level legislation / statutes in the US which is the largest market for the Group. Based on legal opinion, the Group provides for the Income / Sales taxes in the various states in the US, where it has operations. In the event that there is a dispute with the state authorities, the actual tax liability may be higher than that recognised hitherto by the Group. The tax calculation and provision are suitably verified by the Group's tax consultants and legal advisors in the US so as to mitigate these risks.

As a large part of the growth in the Group's business is expected to come from and through EDS, a larger proportion of the revenues of the Group would be subject to transfer pricing regulations. This would also necessitate having more rigour around Transfer Pricing mechanisms to ensure that an arm's length is maintained in all transactions.

Fixed price contract risk

The Group derived 6% of its total revenues from Fixed Price contracts during the quarter ended 31 January 2009. Such projects require continuous monitoring and as well as accurate estimation of overall efforts, which directly affects the profitability of the group. If constant and adequate control is not exercised, it will result in cost overruns and eventual losses for the Group besides loss in client goodwill on account of delayed delivery, quality and failure to meet contractual obligations. It also results in revenue variability as it depends on new project wins once an existing project is complete. During the year the share of fixed price contracts has reduced with corresponding increase in the time and material contracts.

Management minimises this risk through a process of periodic monitoring of the profitability of fixed price contracts, including reviewing the estimate of efforts to complete and appropriate corrective action being undertaken by the concerned client management teams. These actions ensure that the estimated profitability of these contracts is maintained.

Termination of contracts by clients

A significant portion of the Group's contracts with its clients is on a non-exclusive, project-by-project basis. The clients, with or without cause, may terminate the contracts, including fixed-price contracts, by providing an advance notice varying between zero to 90 days. Further, these contracts do not carry a commitment of future volume of business. The Group's business is therefore dependant on the decisions and actions of the client, which are outside the Group's control, and could result in the termination of the said contracts. These actions could include:

- Financial difficulties for the client;
- A change in strategic priorities;
- A demand for reduction in prices; and
- A change in outsourcing strategy by shifting work to in-house IT departments or to the Group's competitors.

The Group may also potentially lose out on the prospects and revenue because such prospects and clients may perceive themselves to be in conflict with EDS or may not have had a good relationship with EDS in the past. Also after the EDS transaction, the Group is viewed as part of a bigger company & hence may be perceived as unwilling to take on small contracts. This may adversely impact the business, particularly in the domestic market. However, any such loss is likely to be more than offset by the new business that would flow to the Group because of its association with EDS.

Delivery Disputes

Where for competitive reasons the Group needs to accept a project it may do so even where the specifications may not have been completely defined at inception. This could lead to differences in opinion with the client at the time of delivery of the project. The Group's client relationships are sufficiently strong whereby such disputes can be resolved to the mutual satisfaction of the client and the Group. But in future if such disputes are not resolved, they could have an impact on the operating results of the Group. These risks are heightened in cases where clients face budgetary constraints or have internal management issues. The Group also maintains adequate insurance for professional indemnity and errors and omissions to cover such cases.

Onsite – Offshore proportion

Some clients insist on onsite efforts to exercise better control and to monitor progress of the project. The Group is moving towards offshore efforts over a period of time once clients are convinced of the Group's ability to deliver and execute projects as per plan or even ahead of such plans. However, requirements by the customers to maintain a specified number of resources onsite could significantly impact the results of operations of the Group.

Operational Results / Issues

The Group's ability to improve profit margins will depend on factors that include the degree to which and the speed with which the Group will be able to increase operational efficiencies and reduce operating costs. Delays or difficulties in implementing and consolidating process improvements, such as those designed to reduce travel, telecommunication and customer service costs, or installing new products and services and in consolidating various functions, including administrative functions, eliminating duplicate operations and consolidating facilities could adversely affect the timing or effectiveness of cost reduction and margin improvement efforts. The Group has an effective system of forecasting and budgeting for costs so as to ensure optimum utilisation of resources. It is continuously in the process of reviewing its systems and procedures to implement tighter controls.

MANAGEMENT DISCUSSION OF RISKS AND CONCERNS

Customer retention is an important factor in the amount and predictability of revenue and profits in the Group's businesses. The Group's ability to retain existing customers depends on a number of factors, including:

- Customer satisfaction;
- Service offerings by competitors;
- Customer service levels; and
- Price.

In providing services, the Group would incur installation and conversion costs in connection with new customers that will need to be recovered before the contractual relationship will provide incremental profit. Longer customer relationships are likely to be more profitable.

As discussed under the 'Competition risk', a significant portion of the Group's revenues is generated from existing clients and the Group has also been successful in adding new clients every year. However, there can be no assurance that the Group would be able to retain all/significant proportion of its existing clients.

Mergers & Acquisitions

While the focus of the Group is currently more on the organic growth, it would not be averse to inorganic growth opportunities especially if these significantly increase the delivery capabilities from India or other offshore/ near shore locations.

Telecommunication infrastructure risk

The use of strategically located software development centres provides the Group with cost advantages, ability to attract and retain highly skilled personnel and consequently the ability to provide the clients with services 24 hours a day and 7 days a week. This delivery model involves the maintenance of active voice and data communication links between the Group's call centres, its software development centres and clients. Although the Group maintains redundancy facilities and satellite communication links, any loss in its ability to transmit voice and data through satellite and telephone communication links could adversely affect the Group's ability to complete client projects on a timely basis thereby affecting its revenues and operational performance. The delivery centres of the Group have moved on to a state of the art, global secured network put in place by EDS with built in redundancies and fall back options. This network is widely recognised as the only one of its kind in the world and is a source of significant competitive advantage.

Financial Risks

Foreign exchange fluctuation risk

As a predominant part of the Group's billings are in foreign currency, which is 94% for the quarter ended 31 January 2009, it is exposed to currency fluctuations and volatility against the Indian rupee. Principal currencies dealt with by the Group include the US Dollar, British Pound, Euro, Singapore Dollar, Japanese Yen and the Australian Dollar. To the extent that there is a significant appreciation of the rupee, it would affect our earnings negatively. Such volatility would also affect our assets located at various locations worldwide in terms of their carrying value. Rupee depreciation would affect the Group's import policy especially covering capital items thereby increasing our liability and cost. The expected increase in offshore work may heighten the risk of rupee appreciation. To mitigate this the Group is moving towards acquiring significant amount of domestic business which is immune to currency fluctuations as also working with EDS in several geographies to increase its onsite presence to provide a natural hedge in the business model. Currently the Group has a policy of hedging the balance sheet and is actively considering putting in place cash flow hedges on future earnings as well.

Credit risk

The Group's ability to recover dues from a client is dependent on the credit terms given to the client. With clients and operations all across the world, effective procedures and recovery mechanism have to be in place to avoid excessive bad debts. The Group constantly reviews credibility of existing customers and follows rigorous credit checks on prospective clients before fixing credit limits and credit periods. With the increased size of operations and the marquee clients that the Group has access to through EDS, the credit checks will become more stringent leading to a reduction in the credit risk.

Liquidity risk

The Corporate Finance Department of the Group is responsible for ensuring that the Group's liquidity position is satisfactory at all times. The Group's cash flow is dependent to a large extent on the credit terms extended to clients and the effective recovery of dues from them. Delays in recovery of dues, has a direct impact on the Groups liquidity position. Investment of surplus cash resources of the Group is also an area of risk in terms of safety and liquidity and balancing this with returns. The Group also has expansion plans for its delivery infrastructure which may strain its liquidity position to a certain extent. However, given the financial strength of the Group and its access to a much larger parent company, the access to funds is not expected to be a hindrance to the business or growth.

Employee Benefits

Employee benefits consists of contribution to provident and gratuity funds.

Contributions to provident fund is as per defined contribution plan wherein both employee and the Company make monthly contributions that is equal to a specified percentage of the employee's salary to the Regional Provident Fund Office. The Company has no further obligations beyond its monthly contributions.

Contributions to gratuity and compensated absences under defined benefits are based on actuarial valuation and the contribution is made to the fund. Actuarial liability is ascertained as per the guidance issued by the Actuarial Society of India with assumptions on salary escalation, withdrawal rate, rate of discount and mortality rates. Though the assumptions are in line with the industry, a change in any of these assumptions could affect our earnings. Similarly, if the earnings of the fund is inadequate, the Company has an obligation to make good the shortfall, which would affect our earnings.

Capital expenditure risk

Significant resources are required towards acquisition of capital equipment. The Group is currently able to meet this requirement through internal accruals and has not resorted to borrowings from external lending agencies. However, this may not be the case in future wherein the Group could have to borrow from external financial agencies to tide over short term gap which are not significant.

Investment in property

The Group does not generally invest in property in the form of land and buildings. However, the Group owns certain properties purchased earlier which are held for use and future expansion. These properties are valued at cost. Due to fluctuations in the real estate market, the market value of these properties may fall below the cost at which they were originally purchased. Should these properties be sold there is a risk that the sale price may be lower than the value at which such properties are recorded in the books.

Indian Taxation risk

Currently, the Group's Indian operations enjoy several significant tax concessions provided by the laws in India. These benefits include, a tax holiday from profits generated from the export of computer software and the exemption from import customs duties on assets purchased that are to be used in export revenue generating activities.

Any amendment to the Indian taxation statutes could adversely affect the Group's financial results and competitive advantage vis a vis other countries across the world. With the Software Technology Park (STP) scheme in a sunset phase, the Group is moving towards Special Economic Zone (SEZ) schemes where it would continue to enjoy tax holidays.

Legal & Other Contractual Risks**Regulatory risks**

As the Group operates in various countries round the world, it requires legal compliances of all rules, regulations and laws in these countries. Non-compliance exposes the whole Group to penal and or monetary repercussions besides generating negative publicity for the Group. The Group has appointed legal counsel and consultants in the various countries where it operates to ensure compliance with their respective regulations.

EDS also has a robust governance process & has legal counsels around the world whom the Group can consult

Further, any regulatory pronouncements by any government putting restriction on outsourcing work outside recipient country can significantly affect group's operations.

MANAGEMENT DISCUSSION OF RISKS AND CONCERNS

Directors, Managers, Officers and other employees' liability risk

These are the legal risks of the above individuals towards third parties. If such cases are decided against such individuals, the liability could fall on the Group to make good any losses. The Group is sufficiently insured to cover such risks and also there are adequate controls in place to mitigate this.

Contractual risks

This risk pertains to liquidated damages and other penalties associated with the non-fulfilment of contractual obligations either with clients or with other parties. In addition to providing performance guarantees, the Group also makes sufficient provision for warranties and post contract customer support to cover such eventualities wherever required. The Group also has insurance cover for 'errors and omissions'.

Changes in visa / work permit / immigration rules and terrorism

Onsite efforts of the Group would be affected on account of difficulties in obtaining work permits and business visa's especially to the US. With increased focus on offshoring & more stringent norms for visa coming in, it may become challenging to deliver & come upto clients' expectation.

Some of the recently publicised events involving people from Bangalore have given the city and the country unwanted publicity and undeserved scrutiny. The fact that one of these people was apparently employed by a reputed IT company in Bangalore has not helped either.

Insider Trading

The risk of insider trading and its consequences has become a matter of concern for any organisation.

To mitigate this risk detailed insider trading guidelines are in place and these are rigorously implemented and monitored.

Technological risks

Technology risks

The Group's ability to remain competitive depends on the ability to adapt to changing technology. As a provider of information technology services, the Group strives to adapt and respond to the technological advances offered by competitors and the technological requirements of clients, in order to maintain and improve the Group's competitive position. However, there can be no assurance that the Group will develop and release new products and services or product and service enhancements within the projected time frames and within targeted costs. Significant delays, difficulties or added costs in introducing new services or enhancements, either through internal development, acquisitions or cooperative relationships with other companies, could adversely affect the market acceptance of the Group's services and operating results. The Group has now access to EDS technology that it could leverage to its advantage.

Obsolescence risks

Management continues efforts to transition to new or enhanced data processing systems and/or software, including systems that process customer data and internal management information systems. The successful implementation of these new or enhanced systems will be critical to the effective delivery of products and services and the efficient operation of the Group. Problems or delays with the installation or initial operation of the new or enhanced systems could disrupt or increase costs in connection with delivery of services and with operations planning, financial reporting and management.

Human Resources

Attracting and retaining professional talent

The Group's future success will depend in part on continued ability to hire, assimilate and retain qualified personnel. Competition for such personnel is intense, and management may not be successful in attracting or retaining such personnel. The loss of any key employee, the failure of any key employee to perform in his or her current position or the Group's inability to attract and retain skilled employees, particularly technical and management, as needed, could harm the Group's business. The loss of the services of any executive officer or other key technical or management personnel could also harm the Group's business.

The Group strives to provide excellent staff welfare measures to promote employee satisfaction and thereby attract and retain efficient manpower. Further, to ensure that employees grow with technology the Group conducts regular training programmes. The Group has undertaken various initiatives to ensure that succession planning for key employees is put in place. The acquisition of the group by EDS significantly opens up new opportunities for our people and this should mitigate the risk of attrition to a significant degree

Travel risks & Health Risk

Due to the nature of the Group's business, the employees are frequently required to travel abroad. In recent times, travel related risks have increased and also employees are subject to health risks in various parts of the world. The Group has a policy of taking mandatory health and travel insurance for all its employees who travel overseas.

Others

Political risks

The political establishment in India is sufficiently fragile to warrant this risk in terms of policies and restrictions that could be imposed. India's relationship with its neighbours has been and continues to be a cause of concern although there are reasons to believe that these relationships are gradually improving.

While the software development business is split between offshore and onsite, the call centre operations are largely concentrated in India. This makes it all the more susceptible to risks associated with India. The Indian call centre industry also faces competition from other countries notably Philippines and Ireland. Should clients decide to shift business out of India to other countries, this could adversely affect the Group's business. To counter this, the Group has opened a Spanish language call centre in Mexico and also a software development centre in China that will serve as a backup to the existing centres. The Group has facilities in Slough, UK and Phoenix, USA through its acquisitions of MphasiS Consulting and Eldorado Computing respectively.

The Group's Indian operations have enjoyed several tax concessions provided by the laws in India. Should the Indian authorities amend taxation statutes again, this could adversely affect the Group's financial results.

Economic risks

Trade, monetary and fiscal policies and economic conditions could substantially change. As the Group's business has grown, the Group has become susceptible to changes in general economic conditions, which could result in reductions in capital expenditure by end-user customers, longer sales cycles, deferral or delay of purchase commitments for the Group's services, and increased price competition. Although these factors have not materially impacted the Group in recent years, this would be the case if the current economic slowdown continues or worsens thus adversely affecting the Group's business and operations.

Accidents, natural calamities and safety of employees and assets

The risk of natural calamities, labour unrest, accidents with peril to employees, assets and other business interruptions could adversely affect the Group's business. The Group's operations are vulnerable to interruption by fire, earthquake, flood, power loss, telecommunications failure and other events beyond management control. Our facilities in India are currently subject to electrical blackouts as a consequence of a shortage of available electrical power. In the event these blackouts continue or increase in severity, they could disrupt the operations of affected facilities. The Group is sufficiently insured to cover such risks and interruptions to operations and the real estate strategy of the Group requires it to have 2 sites in the same city, to mitigate such risks besides having a disaster recovery and business continuity plan in place.

Auditors' report

To the Board of Directors of
MphasiS Limited

- 1 We have audited the attached consolidated balance sheet of MphasiS Limited ("the Company") and its subsidiaries [collectively referred to as the "MphasiS Group"] as at 31 January 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the quarter ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and AS 25, Interim Financial Reporting, notified pursuant to the Companies (Accounting Standards) Rules, 2006.
- 4 Based on our audit and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated balance sheet, of the state of affairs of the MphasiS Group as at 31 January 2009;
 - (ii) in the case of consolidated profit and loss account, of the profit for the quarter ended on that date; and
 - (iii) in the case of consolidated cash flow statement, of the cash flows for the quarter ended on that date.

for S.R. BATLIBOI & CO.
Chartered Accountants

per **Sunil Bhumralkar**
Partner
Membership No. 35141

Bangalore
27 February 2009

CONSOLIDATED BALANCE SHEET

		(Rs 000's)	
	Notes	31 January 2009	31 October 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	2,089,448	2,089,303
Reserves and surplus	4	14,306,791	12,213,422
Employee stock options outstanding	5	11,924	60,718
		16,408,163	14,363,443
LOAN FUNDS			
Secured loans	6	50,437	53,792
		16,458,600	14,417,235
APPLICATION OF FUNDS			
FIXED ASSETS			
	7		
Cost		10,202,333	9,463,223
Accumulated depreciation		(6,409,524)	(6,057,869)
Net book value		3,792,809	3,405,354
Capital work-in-progress including capital advances		249,166	730,719
		4,041,975	4,136,073
GOODWILL	8	2,835,012	2,959,287
DEFERRED TAX ASSETS	9	397,261	344,539
INVESTMENTS	10	1,967,601	-
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors and unbilled revenues	11	8,627,277	8,809,671
Cash and bank balances	12	1,147,757	731,198
Interest receivable	13	1,038	2,247
Loans and advances	14	3,867,297	3,356,948
		13,643,369	12,900,064
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	15	4,644,641	4,424,862
Provisions	16	1,781,977	1,497,866
		6,426,618	5,922,728
NET CURRENT ASSETS		7,216,751	6,977,336
		16,458,600	14,417,235

Significant Accounting Policies

1

The notes referred to above form an integral part of these consolidated financial statements

This is the consolidated balance sheet referred to in our report attached

For and on behalf of the Board of Directorsfor S.R. BATLIBOI & CO.
Chartered Accountants**Balu Ganesh Ayyar**
*Chief Executive Officer***Anthony Glasby**
*Director*per **Sunil Bhumralkar**
Partner
Membership No. 35141**Susanto Banerjee**
*Chief Financial Officer (Interim)***A. Sivaram Nair**
*Company Secretary*Bangalore
27 February 2009Bangalore
27 February 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Rs 000's)	
	Notes	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Revenues		9,776,635	6,183,265
Cost of revenues	17	6,578,910	4,944,428
Gross profit		3,197,725	1,238,837
Selling expenses	18	418,823	188,290
General and administrative expenses	19	673,004	433,824
Provision for doubtful debts		-	9,085
Operating profit		2,105,898	607,638
Foreign exchange gain / (loss), net		30,931	(35,411)
Other income, net	20	15,846	244
Interest income	21	17,700	19,537
Profit before taxation		2,170,375	592,008
Income taxes (including Fringe Benefit Tax)	22	70,217	24,923
Net profit		2,100,158	567,085
Earnings per share (Par value - Rs 10)	29		
Basic (Rs)		10.05	2.72
Diluted (Rs)		10.01	2.69

Significant Accounting Policies 1

The notes referred to above form an integral part of these consolidated financial statements

This is the consolidated profit and loss account referred to in our report attached

For and on behalf of the Board of Directors

for S.R. BATLIBOI & CO.
Chartered Accountants

Balu Ganesh Ayyar
Chief Executive Officer

Anthony Glasby
Director

per **Sunil Bhumralkar**
Partner
Membership No. 35141

Susanto Banerjee
Chief Financial Officer (Interim)

A. Sivaram Nair
Company Secretary

Bangalore
27 February 2009

Bangalore
27 February 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of MphasiS Limited ('the Company') and its subsidiaries, collectively referred to as 'the MphasiS Group' or 'the Group', have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of the Chartered Accountants of India ('ICAI') and guidelines issued by the Securities and Exchange Board of India.

Basis of consolidation

The consolidated financial statements include the financial statements of MphasiS Limited and all its subsidiaries, which are more than 50% owned or controlled. Please refer to Note 2 for the description of the Group.

The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21, Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

The financial statements of the parent company and subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that the recoverable value of related assets are lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of subsidiaries.

Minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date. Any excess consideration received from minority shareholders of subsidiaries over the amount of equity attributable to the minority on the date of investment is reflected under reserves and surplus.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Revenue recognition

The Group derives its revenues primarily from software services & projects, call centre & business process outsourcing operations, infrastructure outsourcing services and from licensing arrangements & application services.

Revenues from software services & projects comprise income from time-and-material and fixed-price contracts. Revenue from time-and-material contracts is recognised on the basis of software developed and billable in accordance with the terms of the contracts with clients. Revenue from fixed-price contracts is recognised using the percentage of completion method, calculated as the proportion of the cost of efforts incurred up to the reporting date to estimated total cost of efforts.

Revenue from call centre & business process outsourcing operations arises from both time-based and unit-priced client contracts. Such revenue is recognised on completion of the related services and is billable in accordance with the specific terms of the contracts with the client.

Revenue from infrastructure outsourcing services arises from time-and-material contracts and accordingly, revenue is recognised on the basis of services billable in accordance with the terms of the contracts with the clients.

Revenues from licensing arrangements are recognised over the period of delivery and installation. Revenues from the provision of application services are recognised as revenues in the period that the services are utilized by the client.

Maintenance revenue is recognised rateably over the period of the underlying maintenance agreement.

Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

probable based on the current contract estimates. 'Unbilled revenues' included in current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned receivables' included in current liabilities represent billings in excess of revenues recognised.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on underlying interest rates.

Dividend income is recognised when the right to receive the dividend is established.

Fixed assets and capital work-in-progress

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation. Direct costs are capitalised until assets are ready to be put to use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Fixed assets purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase. Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and when it is probable that future economic benefits that are attributable to the assets will flow to the company. Fixed assets held by foreign subsidiaries are translated into Indian rupees at the closing rate (refer accounting policy on foreign currency included in this note).

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

Advances paid towards acquisition of fixed assets and the cost of assets not ready for use as at the balance sheet date are disclosed under capital work-in-progress.

Goodwill arising on consolidation

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognised in the financial statements as goodwill. The Company's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

Depreciation and amortization

Depreciation on fixed assets is provided using the straight-line method over the estimated useful lives of assets. Depreciation is charged on a proportionate basis for all assets purchased and sold during the period. Individual assets costing less than Rs 5,000 are depreciated in full in the period of purchase. The estimated useful lives of assets are as follows:

For assets used in other services		For assets used in call center services	
	Years		Years
Buildings	10	Buildings	10
Plant and machinery	4	Plant & machinery (including telecom eqpts)	5
Computer equipment	2	Computer equipment	5
Office equipment	3	Office equipment	5
Furniture and fixtures	4	Furniture and fixtures	5
Vehicles	3	Vehicles	3

Freehold land is not depreciated. Leasehold improvements are amortised over the remaining lease term or 3 years (5 years for Call center services), whichever is shorter. Significant purchased application software and internally generated software that is an integral part of the Group's computer systems, expected to provide lasting benefits, is capitalised at cost and amortised on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortised on the straight-line method over its estimated life or 7 years, whichever is shorter.

Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that a fixed asset including goodwill may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill, the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in value of investment is made if the impairment is not temporary in nature.

Employee benefits

Gratuity which is a defined benefit is accrued based on independent actuarial valuation as at the balance sheet date. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Short term compensated absences are provided based on estimates. Long term compensated absences are provided based on actuarial valuation.

Contributions payable to recognised provident funds and approved superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account.

Foreign currency

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the period are recognised in the profit and loss account of the period.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date. The resultant exchange differences are recognised in the profit and loss account.

The financial statements of the foreign subsidiaries being non-integral operations in terms of para 24 of AS 11, Accounting for the Effects of Changes in Foreign Exchange Rates, are translated into Indian rupees as follows:

- a) Income and expense items are translated at the exchange rates on the dates of the transactions.
- b) Assets (including goodwill) and liabilities, both monetary and non-monetary are translated at the closing rate.
- c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and Surplus until the disposal of the net investment.
- d) Contingent liabilities are translated at the closing rate.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transaction. The premium or discount on forward contracts that are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, arising at the inception of each contract is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or as expense for the period.

In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with paragraphs 36 and 37 of AS 11. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the profit and loss account in the reporting period in which the exchange rates change.

The Group has adopted the principles of AS 30 "Financial Instruments: Recognition and Measurement" in respect of its derivative financial instruments that are not covered by AS 11 "Accounting for the Effects of Changes in Foreign Exchange Rates" and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where Group has met all the conditions of AS 30, are fair valued at balance sheet date and the resultant gain / loss is credited / debited to the hedging reserve included in the Reserves and Surplus. This gain / loss would be recorded in profit and loss account when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting have been recorded at fair value at the reporting date and the resultant gain / loss has been credited / debited to profit and loss account for the period.

Fringe Benefit Tax

The Group provides for and discloses the Fringe Benefit Tax ('FBT') as part of Taxes in accordance with the provisions of Section 115 WC of the Income Tax Act, 1961 and the guidance note on FBT issued by the Institute of Chartered Accountants of India ('ICAI'). The Finance Act, 2007 levied FBT on Employees Stock Option Plan. Such FBT liability crystallises on the date of exercise of stock option and is accounted for accordingly.

Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax ('MAT') paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period as specified in the tax laws of the respective countries.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognised in the period in which the timing differences originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets on timing differences are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date. The legal entities within the Group offsets, on a year on year basis, the current and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Provisions and contingent liabilities

The Group recognizes provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in

computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increase loss per share are included.

Stock-based compensation

The Group accounts for stock-based compensation based on the intrinsic value method. 'Option Discount' is amortised on a straight-line basis over the vesting period of the shares issued under Employee Stock Option Plans ('ESOP').

'Option Discount' means the excess of the market price of the underlying shares as at the date of grant of the options over the exercise price of the options.

2. DESCRIPTION OF THE GROUP

The MphasiS Group, a global, multicultural organisation headquartered jointly in Bangalore, India and New York, USA, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business process outsourcing solutions to clients around the world.

MphasiS Limited is registered under the Indian Companies Act, 1956 with its registered office in Bangalore. This is the flagship company of the Group and is listed on the principal stock exchanges of India.

In terms of a merger agreement executed between Electronic Data Systems Corporation, Hewlett-Packard Company ('HP') and Hawk Merger Corporation, the last named company merged into Electronic Data Systems Corporation on 26 August 2008. As a result of this merger, Electronic Data Systems Corporation became a 100% subsidiary of HP and was renamed as Electronic Data Systems LLC. Further, HP became the ultimate holding company of MphasiS.

List of subsidiaries with percentage holding

Subsidiaries	Country of incorporation and other particulars	% of holding
MphasiS Corporation ('MphasiS USA')	a company organised under the laws of Delaware, USA	100
MphasiS Deutschland GmbH ('MphasiS GmbH')	a company organised under the laws of Germany	91
BFL Software Asia Pacific Pte Ltd ('BFL APAC')	a company organised under the laws of Singapore	100
MphasiS Australia Pty Ltd ('MphasiS Australia')	a company organised under the laws of Australia	100
MphasiS (Shanghai) Software & Services Company Limited ('MphasiS China')	a company organised under the laws of The People's Republic of China	100
MphasiS Consulting Limited ('MphasiS Consulting')	a company organised under the laws of United Kingdom	100
Eldorado Computing Inc. ('Eldorado')	a company organised under the laws of Arizona, USA	100
MphasiS FinsourcE Limited ('MphasiS FinsourcE')	a company organised under the laws of India	100
MphasiS Ireland Limited ('MphasiS Ireland')	a company organised under the laws of Ireland	100
MphasiS Belgium BVBA ('MphasiS Belgium') [Refer note 2(d)]	a company organised under the laws of Belgium	100
MphasiS Europe BV ('MphasiS Europe')	a subsidiary of MphasiS USA, organised under the laws of The Netherlands	100
MphasiS Pte Ltd ('MphasiS Singapore')	a subsidiary of MphasiS Europe, organised under the laws of Singapore	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries	Country of incorporation and other particulars	% of holding
MphasiS UK Limited ('MphasiS UK')	a subsidiary of MphasiS Europe, organised under the laws of United Kingdom	100
MphasiS Software and Services (India) Private Limited ('MphasiS India')	a subsidiary of MphasiS Europe, organised under the laws of India	100
Msource Mauritius Inc. ('Msource Mauritius')	a subsidiary of MphasiS Europe, organised under the laws of Mauritius	100
Msource (India) Private Limited ('Msource India')	a subsidiary of Msource Mauritius, organised under the laws of India	100

2(a) The Company acquired control of Kshema Technologies Limited ("Kshema") on 1 June 2004. Kshema was amalgamated with MphasiS Limited with effect from 1 April 2005.

The balance consideration payable to the erstwhile shareholders of Kshema amounting to Rs 17,060,055 is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 15).

2(b) During July 2006, the Board of the Company approved the amalgamation of EDS Electronic Data Systems (India) Private Limited ('EDS India'), a wholly owned subsidiary of then Electronic Data Systems Corporation USA, ('EDS') into MphasiS Limited. The scheme of amalgamation was approved by the shareholders at their meeting on 13 November 2006, and by the Hon'ble High Courts of Maharashtra and Karnataka on 2 February 2007 and 19 June 2007 respectively. The necessary formalities to give effect to the amalgamation have been completed thereafter. Under the scheme, the Company issued 44,104,064 shares to EDS World Corporation (Far East), the holding company of EDS India and a subsidiary of EDS and 1 share to EDS World Corporation, (Netherlands) on 6 August 2007. Post allotment of the shares, EDS, through EDS Asia Pacific Holdings, Mauritius (formerly TH Holdings, Mauritius) EDS World Corporation (Far East) and EDS World Corporation (Netherlands) holds 127,106,266 equity shares forming more than 50% of the paid-up share capital of the Company. During August 2008, EDS was merged with Hewlett Packard Company ('HP') and resultantly HP is the ultimate holding company. Post merger of EDS with HP, the Board of Directors of the Company on 16 October 2008 approved the change in the accounting year-end from March to October, in line with the ultimate holding company's accounting year-end.

2(c) During the year ended 31 March 2008, MbrokeR India, a subsidiary of the Company made an application to the Registrar of Companies, Karnataka, to strike off its name from the Register of Companies. The name was struck off on 16 June 2008 from the Register of Companies and MbrokeR India stands dissolved.

2(d) During April 2008, MphasiS Belgium BVBA was incorporated as a subsidiary of MphasiS Limited.

(Rs 000's)

31 January 2009 31 October 2008

3. SHARE CAPITAL**Authorised capital**

245,000,000 (31 October 2008: 245,000,000)
equity shares of Rs. 10 each 2,450,000 2,450,000

Issued, subscribed and paid-up capital

208,951,933 (31 October 2008: 208,937,364) equity
shares of Rs 10 each 2,089,519 2,089,374

[Of the above 53,590,838 (31 October 2008: 53,590,838)
equity shares are allotted for consideration other than
cash and 134,186,274 (31 October 2008: 134,184,874)
equity shares are allotted as fully paid-up by way of
bonus shares].

Less : 14,200 (31 October 2008: 14,200) equity shares of
Rs 10 each forfeited (142) (142)

Add: Amount originally paid-up on forfeited shares 71 71

2,089,448 2,089,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs 000's)

	31 January 2009	31 October 2008
4. RESERVES AND SURPLUS #		
Securities Premium Account		
Balance brought forward	1,564,203	1,543,318
Add: Premium on allotment of shares	1,183	20,885
Add: Transferred from employee stock options outstanding [Securities premium amounting to Rs 1,146,530,000 (31 October 2008: Rs 1,116,010,000) is for consideration other than cash]	30,520	-
	1,595,906	1,564,203
Foreign currency translation reserve		
Balance brought forward	246,143	(373,156)
Add/(Less): During the period	(167,178)	619,299
	78,265	246,143
Capital reserve		
Balance brought forward from previous period	96,234	96,234
	96,234	96,234
General reserve		
Balance brought forward	956,975	692,461
Add: Transfer from Profit and loss account	-	264,514
	956,975	956,975
Hedging reserve		
Balance brought forward	(312,289)	-
Less: Transaction during the period	53,317	(312,289)
Less: Transfer to revenue	76,083	-
	(182,889)	(312,289)
Profit and loss account		
Balance brought forward	9,662,156	7,461,882
Add: Net profit for the period	2,100,158	2,954,365
Profit available for appropriation	11,762,314	10,416,247
Appropriations		
Transfer to General reserve	-	264,514
Final dividend	-	596
Proposed dividend	-	417,846
Tax on dividend	-	71,114
Issue of bonus shares	14	21
	11,762,300	9,662,156
	14,306,791	12,213,422

The previous period movement is for seven months ended 31 October 2008.

(Rs 000's)

	31 January 2009	31 October 2008
5. EMPLOYEE STOCK OPTIONS OUTSTANDING#		
Balance brought forward	60,718	60,718
Less: Transferred to securities premium account on exercise of options	30,520	-
Less: Reversal on forfeiture/lapse of options granted	18,274	-
	11,924	60,718

The previous period movement is for seven months ended 31 October 2008.

Employee Stock Option Plans (ESOP)

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the quarter ended 31 January 2009 and for the period ended 31 October 2008 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 29).

Employees Stock Option Plan-1998 (the 1998 Plan): The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan - (Version I) and 1998 Plan - (Version II) during the year 1998-1999 and 1999-2000 respectively.

1998 Plan - (Version I): Each option, granted under the 1998 Plan - (Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of Rs 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

The movements in the options granted under the 1998 Plan - (Version I) for the quarter ended 31 January 2009 and period ended 31 October 2008 are set out below:

	Quarter ended 31 January 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	77,196	34.38	77,196	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	1,240	34.38	-	-
Options outstanding at the end	75,956	34.38	77,196	34.38
Exercisable at the end of the period	75,956	34.38	77,196	34.38

The weighted average share price of options exercised as at the date of exercise was Rs 166.41 (31 October 2008: Nil). The options outstanding as at 31 January 2009 had an exercise price of Rs 34.38 (31 October 2008: Rs 34.38).

1998 Plan - (Version III): Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan - (Version II) for the quarter ended 31 January 2009 and period ended 31 October 2008 are set out below:

	Quarter ended 31 January 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	843,128	93.93	895,108	94.68
Granted	-	-	-	-
Forfeited	-	-	12,000	130.60
Lapsed	-	-	-	-
Exercised	8,328	96.12	39,980	99.65
Options outstanding at the end	834,800	93.91	843,128	93.93
Exercisable at the end of the period	831,600	93.76	839,928	93.79

The weighted average share price of options exercised as at the date of exercise was Rs 160.85 (31 October 2008: Rs 233.65). The options outstanding as at 31 January 2009 had an exercise price ranging from Rs 23.21 to Rs 275.00 (31 October 2008: Rs 23.21 to Rs 275.00) and weighted average remaining contractual life of 4.74 years (31 October 2008: 4.98 years).

Employees Stock Option Plan-2000 (the 2000 Plan): Effective 25 July 2000, the Company instituted the 2000 Plan. The shareholders and ESOP Committee approved the 2000 Plan in July 2000. The 2000 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries.

The 2000 Plan is administered by an ESOP Committee appointed by the Board. Under the 2000 Plan, options will be issued to employees at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is one to two years from the date of vesting.

The movements in the options under the 2000 Plan for the quarter ended 31 January 2009 and period ended 31 October 2008 are set out below:

	Quarter ended 31 January 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	749,151	138.41	867,725	137.06
Granted	-	-	-	-
Forfeited	18,126	122.67	18,350	127.67
Lapsed	17,567	144.90	46,593	132.50
Exercised	1,601	131.12	53,631	125.07
Options outstanding at the end	711,857	138.67	749,151	138.41
Exercisable at the end of the period	479,680	136.36	480,273	136.25

The weighted average share price of options exercised as at the date of exercise was Rs 158.15 (31 October 2008: Rs 219.66). The options outstanding as at 31 January 2009 had an exercise price ranging from Rs 85.63 to Rs 208.45 (31 October 2008: Rs 71.88 to Rs 208.45) and weighted average remaining contractual life of 1.38 years (31 October 2008: 1.63 years).

Employees Stock Option Plan - 2003 (the 2003 Plan): The shareholders at the Annual General Meeting on 2 June 2003 approved a new Employee Stock Option Plan. The 2003 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries and is administered by an ESOP Committee appointed by the Board of Directors. Options will be issued to employees at an exercise price which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. However, certain options were granted to executive directors having a target stock price condition and a one year service condition as vesting conditions. The exercise period is two years from the date of vesting.

The movements in the options under the 2003 Plan for the quarter ended 31 January 2009 and period ended 31 October 2008 are set out below:

	Quarter ended 31 January 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	175,950	116.64	229,877	116.00
Granted	-	-	-	-
Forfeited	-	-	3,750	130.60
Lapsed	-	-	15,827	102.19
Exercised	1,250	130.60	34,350	117.51
Options outstanding at the end	174,700	116.54	175,950	116.64
Exercisable at the end of the period	127,350	111.31	128,600	111.50

The weighted average share price of options exercised as at the date of exercise was Rs 159.95 (31 October 2008: Rs 219.53). The options outstanding as at 31 January 2009 had an exercise price ranging from Rs 85.63 to Rs 130.60 (31 October 2008: Rs 85.63 to Rs 130.60) and weighted average remaining contractual life of 1.16 years (31 October 2008: 1.42 years).

Employees Stock Option Plan - 2004 (the 2004 Plan): At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of Msource Corporation as on 20 September 2004, pursuant to its merger with Mphasis Corporation and the assumption of the Msource stock options by the Company.

The 2004 Plan is administered through an ESOP Committee appointed by the Board of Directors of the Company and comprises two programs. Under Program A, outstanding options of Msource Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the Msource 2001 plan, the exercise price being the equivalent amount payable by the option holder under the Msource 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the Msource 2001 plan.

Options under Program B represent fresh grants and will be issued to employees at an exercise price which shall be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The movements in the options under the 2004 Plan for the quarter ended 31 January 2009 and period ended 31 October 2008 are set out below:

	Quarter ended 31 January 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	460,727	125.75	570,349	125.20
Granted	-	-	-	-
Forfeited	3,500	128.14	13,402	132.90
Lapsed	2,500	130.53	26,889	132.48
Exercised	750	130.54	69,331	117.24
Options outstanding at the end	453,977	125.70	460,727	125.75
Exercisable at the end of the period	339,255	121.35	342,005	121.41

The weighted average share price of options exercised as at the date of exercise was Rs 156.57 (31 October 2008: Rs 222.63). The options outstanding as at 31 January 2009 had an exercise price ranging from Rs 50.34 to Rs 184.50 (31 October 2008: Rs 50.34 to Rs 184.50) and weighted average remaining contractual life of 2.97 years (31 October 2008: 3.20 years).

Fringe benefit tax on ESOPs

Fringe Benefit Tax (FBT) on Employee Stock Options (ESOPs) exercised during the period has been remitted to the Government, as per our understanding of the clarifications issued by the Income Tax Department on the matter. As per the ESOP schemes of the Company, all the taxes, including FBT, are to be borne by the employees and hence, this will not have an impact on the profit and loss account of the Group.

Restricted Stock Units

EDS the holding company, had issued Restricted Stock Units ('RSU') to certain employees of the Group. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSU to certain employees of the Group. Total cost incurred towards RSU's for the quarter ended 31 January 2009 amounted to Rs 36,038,871 (quarter ended 31 January 2008: Rs 9,017,593). However, the cost has been borne by HP and accordingly this has not been accounted as an expense by the Group.

(Rs 000's)

	31 January 2009	31 October 2008
6. SECURED LOANS		
Other loans	50,437	53,792
(Secured by the hypothecation of vehicles)		
	50,437	53,792

7. FIXED ASSETS (Rs 000's)

Assets	Cost			Accumulated depreciation			Net book value		
	1 November 2008	Additions	Deductions/ Adjustments*	31 January 2009	1 November 2008	Depreciation/ Amortisation	Deductions/ Adjustments*	31 January 2009	31 October 2008
Tangible assets									
Freehold land	27,375	-	-	27,375	-	-	-	27,375	27,375
Buildings	1,230	-	-	1,230	933	31	-	266	297
Leasehold improvements	1,353,106	299,792	(62,659)	1,590,239	901,548	75,474	(59,138)	672,355	451,559
Plant and machinery	2,092,506	155,587	(34,886)	2,213,207	1,248,244	89,276	(32,394)	908,081	844,263
Computer equipment	2,608,532	159,577	(8,425)	2,759,684	1,913,876	136,435	(7,291)	716,664	694,654
Office equipment	880,729	38,307	(8,018)	911,018	594,136	47,942	(7,825)	276,765	286,593
Furniture and fixtures	1,057,519	97,374	(20,585)	1,134,308	657,481	59,298	(19,550)	437,079	400,038
Vehicles	106,332	5,945	(6,608)	105,669	54,319	7,167	(5,386)	49,569	52,013
Intangible assets									
Software	1,335,894	144,458	(20,749)	1,459,603	687,332	70,212	(2,596)	704,655	648,562
Total	9,463,223	901,040	(161,930)	10,202,333	6,057,869	485,835	(134,180)	3,792,809	3,405,354
Seven Months ended									
31 October 2008	7,819,704	1,451,023	192,496	9,463,223	4,941,753	1,004,851	111,265	3,405,354	3,405,354

* includes the effect of translation of assets held by foreign subsidiaries, which are considered as non-integral in terms of AS 11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	(Rs 000's)	
	31 January 2009	31 October 2008
8. GOODWILL #		
Goodwill arising on consolidation	2,959,287	2,448,977
Movement on account of exchange rate fluctuation	(106,001)	510,310
Adjustment on forfeiture/ lapse of options granted on earlier acquisitions	(18,274)	-
	2,835,012	2,959,287
# The previous period movement is for seven months ended 31 October 2008.		
9. DEFERRED TAX ASSETS		
On depreciation	290,845	268,852
On provision for doubtful debts	30,961	25,299
On provision for employee benefits	75,455	50,388
	397,261	344,539
10. INVESTMENTS		
Current Investments (At lower of cost and market value)		
ICICI Prudential Institutional Liquid Plan 62,908,689.852 units at Rs 11.8502 market value Rs 745,480,566 (31 October 2008: Nil units, Nil market value)	745,481	-
Franklin Templeton Mutual Fund (Liquid) 1,208,095.943 units at Rs 1,000.673 market value Rs 1,208,908,992 (31 October 2008: Nil units, Nil market value)	1,208,909	-
Birla Sunlife Sweep Mutual Funds (Liquid) 1,308,297.443 units at Rs 10.0982 current value Rs 13,211,449 (31 October 2008: Nil units, Nil market value)	13,211	-
	1,967,601	-
11. DEBTORS AND UNBILLED REVENUES		
Debts outstanding for a period exceeding six months, unsecured		
- considered good	68,308	39,981
- considered doubtful	170,075	172,202
Other debts, unsecured		
- considered good	4,371,535	3,515,306
	4,609,918	3,727,489
Less: Provision for doubtful debts (net of write-offs)	(170,075)	(172,202)
	4,439,843	3,555,287
Unbilled revenues	4,187,434	5,254,384
	8,627,277	8,809,671

(Rs 000's)

31 January 2009 31 October 2008

12. CASH AND BANK BALANCES

Cash in hand	870	962
Remittance in transit	612	11,854
Balances with scheduled banks		
- Current accounts *	63,962	256,503
- Deposit accounts **	737,757	86,214
- Margin money deposit account	913	913
Balances with non-scheduled banks		
- Current accounts	343,643	374,752
	1,147,757	731,198

* Includes Rs 1,073,258 and Rs 1,251,941 representing the balances in unclaimed dividends account as at 31 January 2009 and 31 October 2008 respectively.

** Includes restricted deposits of Rs 10,732,170 as at 31 January 2009 (31 October 2008: Rs 10,732,170) [refer note 32]

13. INTEREST RECEIVABLE

Unsecured - considered good	1,038	2,247
	1,038	2,247

14. LOANS AND ADVANCES

Unsecured - considered good		
Employee loans	2,828	3,737
Advances recoverable in cash or in kind or for value to be received	956,154	757,578
Loan to a ESOP Trust	3,575	3,575
Deposits		
- premises	999,970	1,028,758
- with government authorities	10,803	10,907
- others	11,739	11,745
Advance tax and tax deducted at source	1,310,839	1,130,887
MAT credit entitlement	571,389	409,761
Unsecured - considered doubtful		
Advances recoverable in cash or in kind or for value to be received	43,345	43,345
	3,910,642	3,400,293
Less: Provisions (net of write-offs)	(43,345)	(43,345)
	3,867,297	3,356,948

15. CURRENT LIABILITIES

Sundry creditors	661,129	1,168,666
Book overdraft	121,708	185,257
Advances from clients	23,918	21,821
Unearned receivables	108,073	44,632
Salary related costs	1,514,147	765,302
Other liabilities*	2,214,593	2,237,932
Unclaimed dividends	1,073	1,252
	4,644,641	4,424,862

* The above amount includes Rs 17,060,055 (31 October 2008: Rs 17,060,055) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 2(a)].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs 000's)

	31 January 2009	31 October 2008
16. PROVISIONS		
Compensated absences	168,812	178,704
Gratuity (refer note 30)	166,702	135,270
Final dividend	417,846	417,846
Tax on dividend	71,013	71,013
Taxation	957,604	695,033
	1,781,977	1,497,866

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
17. COST OF REVENUES		
Salary and allowances	3,840,536	2,861,614
Contribution to provident and other funds	341,087	206,297
Staff welfare	173,036	198,763
Travel	203,034	194,443
Recruitment charges	25,308	55,159
Communication expenses	193,730	142,964
Rent	355,390	227,333
Professional charges	13,499	5,194
Depreciation and amortisation	461,290	347,002
Software development charges	326,516	193,867
Staff training expenses	10,874	4,972
Electricity	106,444	89,717
Software support and annual maintenance charges	398,832	326,177
Miscellaneous expenses	129,334	90,926
	6,578,910	4,944,428

18. SELLING EXPENSES		
Salary and allowances	303,928	120,217
Contribution to provident and other funds	31,767	15,164
Staff welfare	3,555	2,458
Travel	26,715	18,017
Communication expenses	12,072	7,962
Rent	7,658	6,695
Professional charges	11,374	3,087
Depreciation and amortisation	2,909	3,357
Recruitment expenses	6,195	4,297
Business meeting expenses	3,783	1,803
Miscellaneous expenses	8,867	5,233
	418,823	188,290

(Rs 000's)

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
19. GENERAL AND ADMINISTRATIVE EXPENSES		
Salary and allowances	256,308	172,578
Contribution to provident and other funds	15,930	13,380
Staff welfare	25,753	8,162
Travel	19,333	18,123
Communication expenses	22,681	18,778
Rent	116,160	23,560
Professional charges	39,061	29,445
Depreciation and amortisation	21,636	35,831
Auditor's remuneration	3,771	1,987
Bank charges	1,803	1,660
Insurance	6,151	5,315
Rate and taxes	25,664	3,730
Repairs and maintenance		
- Plant and machinery	11,541	6,447
- Building	2,726	6,556
- Others	37,242	30,992
Membership and subscriptions	1,700	3,260
Printing and stationery	10,694	11,850
Postage and courier charges	2,992	2,846
Miscellaneous expenses	51,858	39,324
	673,004	433,824
20. OTHER INCOME, NET		
Profit /(loss) on sale of fixed assets	(763)	127
Dividend income	16,531	-
Miscellaneous income	78	117
	15,846	244
21. INTEREST INCOME		
Interest on deposits and loans	17,700	19,537
	17,700	19,537
22. INCOME TAXES [INCLUDING FRINGE BENEFIT TAX]		
Current taxes		
Domestic taxes	237,609	80,745
Foreign taxes	33,225	19,106
Deferred taxes		
Domestic taxes	(32,655)	(22,567)
Foreign taxes	(20,219)	(1,266)
MAT credit entitlement	(161,628)	(68,194)
Fringe Benefit Tax	13,885	17,099
	70,217	24,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. The Group's software development centres and call centres in India are 100% Export Oriented Units ('EOU') / Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to Rs 126,900,215 as at 31 January 2009 (31 October 2008: Rs 148,893,415) have been furnished to the Customs authorities in this regard.

24. Contingent liabilities and commitments

- (a) Claims against the Group not acknowledged as debts amounting to Rs 622,083,526 (31 October 2008: Rs 222,790,578);
- (b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 January 2009: Rs 306,064,364 (31 October 2008: Rs 842,880,473);
- (c) Guarantees outstanding including those furnished to the Customs authorities as at 31 January 2009: Rs 269,050,215 (31 October 2008: Rs 343,527,315); and
- (d) Forward contracts outstanding as at 31 January 2009 are as below:

Currency	Amount	Amount in INR
USD	374,850,000	18,521,040,750
GBP	2,592,000	185,676,042
EUR	1,000,000	64,628,334
SGD	7,428,022	245,463,582
CAD	500,000	20,513,001

Forward contracts outstanding as at 31 October 2008 are as follows:

Currency	Amount	Amount in INR
USD	243,624,000	12,048,424,920
GBP	2,585,037	206,673,704
EUR	1,602,777	100,958,912
SGD	7,143,405	238,357,566

Unamortised premium on forward exchange contracts as at 31 January 2009 is Rs 7,432,561 (31 October 2008: 6,058,796)

- (e) The Group has issued performance guarantees to certain clients for executed contracts.

25. Operating leases

The Group is obligated under non-cancellable leases for office and residential space that are renewable on a periodic basis at the option of both the lessor and the lessee. Total rental expense under non-cancellable operating leases amounted to Rs 267,200,028 for the quarter ended 31 January 2009 and Rs 133,058,985 for the quarter ended 31 January 2008.

Future minimum lease payments under non-cancellable operating leases as at 31 January 2009 are as follows:

Period	(Rs 000's)	
	31 January 2009	31 October 2008
Not later than 1 year	866,081	815,313
Later than 1 year and not later than 5 years	935,215	1,039,963
More than 5 years	-	-
	1,801,296	1,855,276

The Group also leases office facilities and residential facilities under cancellable operating lease agreements. The Group intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was Rs 212,007,274 for the quarter ended 31 January 2009 and Rs 124,529,461 for the quarter ended 31 January 2008.

26. Related party transactions

(a) Entities where control exists:

- Hewlett Packard Company, USA (ultimate holding company)
- Hewlett Packard Eagle Corporation, USA (100% subsidiary of Hewlett Packard Company, USA)
- Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett Packard Eagle Corporation, USA)*

*EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius) and EDS World Corporation (Far East), the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 39.72% and 21.11% of the equity capital of the Company respectively.

The related parties where control exists also include BFL Employees Equity Reward Trust and Kshema Employees Welfare Trust.

(b) Key management personnel:

The key management personnel of the Group are as mentioned below:

Executive key management personnel represented on the Board of the Company

- | | |
|---------------------|--|
| ■ Balu Ganesh Ayyar | Chief Executive Officer - Appointed w.e.f. 29 January 2009 |
| ■ Jeya Kumar | Chief Executive Officer - Resigned w.e.f. 28 January 2009 |
| ■ Deepak Patel | Managing Director - Resigned w.e.f. 10 June 2008 |

Non-executive / independent directors on the Board of the Company

- | | |
|--------------------------|---|
| ■ Andreas W Mattes | Director - Appointed as non-executive Chairman w.e.f. 6 February 2009 |
| ■ Michael Coomer | Non-executive Chairman - Resigned on 6 February 2009 |
| ■ Jose de la Torre | Director |
| ■ Nawshir H Mirza | Director |
| ■ D S Brar | Director |
| ■ Vinita Bali | Director |
| ■ Jim Bridges | Director |
| ■ Anthony Glasby | Director |
| ■ Craig Wilson | Director – Appointed w.e.f. 6 February 2009 |
| ■ Prakash Jothee | Director – Appointed w.e.f. 6 February 2009 |
| ■ Joseph Eazor | Director – Resigned w.e.f. 6 February 2009 |
| ■ Jaithirth Rao | Non-executive Chairman – Resigned w.e.f. 5 January 2008 |
| ■ Jeroen Tas | Non-executive Vice Chairman – Resigned w.e.f. 13 October 2008 |
| ■ Thomas Erhardt | Director – Resigned w.e.f. 6 October 2008 |
| ■ Michael Ronald Koehler | Director – Resigned w.e.f. 6 October 2008 |
| ■ Mark Bilger | Director – Resigned w.e.f. 7 February 2008 |
| ■ Stephen Heidt | Director – Resigned w.e.f. 3 January 2008 |

(c) Other related parties with whom transactions have taken place:

- | | |
|--|--------------------------------------|
| ■ TH Consulting India Private Limited | ■ EDS Austria GmbH |
| ■ EDS (Operations) Pty Limited | ■ EDS Operations Services GmbH |
| ■ EDS Itellium GmbH | ■ Electronic Data Systems Limited |
| ■ Electronic Data Systems (EDS) International B.V. | ■ EDS (New Zealand) Limited |
| ■ EDS Information Services LLC | ■ Electronic Data System Belgium N.V |
| ■ EDS Canada Inc. | ■ EDS Information Business GmbH |
| ■ EDS (Australia) PTY Limited | ■ EDS Business Services PTY Limited |
| ■ EDS Gulf States, WLL | ■ EDS (China) Co. Limited |

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- EDS Sweden AB
- EDS (Thailand) Co. Ltd
- EDS International (Greece) SA
- EDS Application Services GmbH
- EDS Brazil
- RelQ Software Private Limited
- Electronic Data Systems Limited, UK
- Electronic Data Systems Italia SPA
- Electronic Data Systems (Egypt) SAE
- EDS Poland Sp.Z.O.O
- EDS MSC (M) Sdn Bhd
- EDS Japan LLC
- Hewlett-Packard Asia Pacific Pte Ltd.
- GEMS Techno Solutions India Private Ltd.
- Hewlett Packard India Sales Private Limited
- EDS International (Singapore) Pte Limited
- Electronic Data Systems Taiwan Corporation
- EDS (Schweiz) AG
- Electronic Data Systems (Hongkong) Limited
- EDS Ireland Ltd
- EDS Malaysia (Shell EPO AP)
- Electronic Data Systems Hungary Limited
- Electronic Data Systems France SAS
- Electronic Data Systems Corporation-US
- EDS Denmark A/S
- Mercury Interactive (Singapore) Pte Ltd.
- Neoware Inc
- Hewlett Packard International Sarl
- Hewlett Packard AP (Hong Kong) Ltd.
- HP India Software Operation Private Limited

(d) The following is a summary of significant transactions with related parties by the Group*:

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
	(Rs 000's)	
Rendering of services to other related parties	6,541,174	3,158,510
- EDS Information Services, LLC	4,305,037	2,509,219
- Electronic Data Systems Ltd, UK	847,644	-
- Others	1,388,493	649,291
Software development charges paid to entities where control exists	13,726	8,520
- Electronic Data Systems Corporation-US	13,726	8,520
Software development charges paid to others	15,204	19,985
- RelQ Software Private Limited	15,204	19,985
Software support and annual maintenance charges paid to other related parties **	374,943	307,998
- EDS International (Singapore) Pte Limited	374,943	307,998
Other expenses paid to other related parties	16,493	-
- EDS International (Singapore) Pte Limited	16,493	-
Remuneration to executive key management personnel	33,087	7,168
- Deepak Patel	-	7,168
- Jeya Kumar	32,814	-
- Balu Ganesh Ayyar	273	-
Commission to non-executive directors	2,200	2,063
- Davinder Singh Brar	600	600
- Jose de la Torre	500	563
- Vinita Bali	500	300
- Nawshir H Mirza	600	600

* This does not include remuneration paid to certain non-executive directors who are paid by the ultimate parent company and its affiliates as they are employees of the said companies.

** The Group has accrued expenses for certain services received from a related party where significant influence exists for which the Master Service Agreement ("MSA") has been signed and the statement of work is expected to be signed upon completion of the ongoing negotiation of terms. As at 31 January 2009, the provisioning for such services has been made on best estimate basis.

(e) The balances receivable from and payable to related parties are as follows:

	(Rs 000's)	
	31 January 2009	31 October 2008
Interest free loans to BFL Employee Equity		
Reward Trust, included in Loans and advances	3,575	3,575
Sundry debtors and unbilled revenue - other related parties	5,921,086	6,051,517
- EDS Information Services, LLC	4,657,792	4,539,459
- Others	1,263,294	1,512,058
Current liabilities - other related parties	648,262	683,431
- EDS International (Singapore) Pte Limited	624,452	654,446
- Others	23,810	28,985

27. Segment reporting

The Company's operations predominantly relate to providing application development and maintenance (Application) services, business process outsourcing (BPO) services and infrastructure outsourcing (ITO) services delivered to clients operating globally. Secondary segmental reporting is done on the basis of the geographical location of clients.

Application services covers consulting, application development, testing and application maintenance services. BPO services provide voice, transaction based services and knowledge based processes. ITO covers a range of infrastructure management services and service/ technical help desks.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments.

Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group therefore believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), Europe, Asia Pacific, Japan, the Middle East and India.

Primary segment information

	(Rs 000's)	
	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Segment revenue		
Application Services	6,414,492	3,978,966
BPO Services	1,770,472	1,420,466
ITO Services	1,667,754	783,833
Unallocated	(76,083)	-
	9,776,635	6,183,265
Segment profit		
Application Services	2,216,955	736,085
BPO Services	404,043	364,209
ITO Services	652,810	138,543
Unallocated	(76,083)	-
	3,197,725	1,238,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Primary segment information (continued)	(Rs 000's)	
	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Interest income, net	17,700	19,537
Other unallocable expenditure, net of unallocable income	1,045,050	666,366
Profit before taxation	2,170,375	592,008
Income taxes (Including Fringe benefit tax)	70,217	24,923
Profit after taxation	2,100,158	567,085
	31 January 2009	31 October 2008
Segment assets		
Application Services	7,932,871	8,550,910
BPO Services	6,276,042	6,330,792
ITO Services	2,622,493	2,473,969
Unallocated	6,053,812	2,984,292
	22,885,218	20,339,963
Segment liabilities		
Application Services	2,516,072	2,265,005
BPO Services	1,039,737	1,031,376
ITO Services	831,993	749,687
Unallocated	2,089,253	1,930,452
	6,477,055	5,976,520
	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Capital expenditure		
Application Services	142,629	277,966
BPO Services	220,563	271,571
ITO Services	56,295	114,777
	419,487	664,314
Depreciation and amortisation		
Application Services	162,014	120,644
BPO Services	198,192	151,247
ITO Services	62,392	38,650
Unallocated	63,237	75,649
	485,835	386,190

Secondary segment information (revenues)	(Rs 000's)	
	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Region		
USA	6,637,593	4,381,820
Europe	2,133,556	1,168,738
Asia Pacific	307,599	222,040
Japan	64,917	66,245
The Middle East and India	709,053	344,422
Unallocated	(76,083)	-
Total	9,776,635	6,183,265

Revenues by geographic area are based on the geographical location of the client.

Secondary segment information (segment assets)	31 January 2009	31 October 2008
Region		
USA	1,776,906	2,084,846
The Middle East and India	20,714,804	17,876,372
Others	393,508	378,745
Total	22,885,218	20,339,963

Segment assets by geographic area are based on the geographical location of the respective entity.

Secondary segment information (capital expenditure)	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Region		
USA	44,201	49,181
The Middle East and India	374,491	614,803
Others	795	330
	419,487	664,314

28. Earnings Per Share ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Number of weighted average shares considered for calculation of basic earnings per share	208,931,632	208,650,453
Add: Dilutive effect of stock options	783,268	1,881,557
Number of weighted average shares considered for calculation of diluted earnings per share	209,714,900	210,532,010

211,891 weighted average number of shares (31 January 2008: 205,409 weighted average number of shares) held by the BFL Employees Equity Reward Trust and Kshema Employee Welfare Trust have been considered for computing basic and diluted earnings per share. The above does not include 25,600 bonus shares held in abeyance by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**29. Stock Based Compensation**

The Group uses the intrinsic value method of accounting for its employee stock options. The Group has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, the Group's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

	(Rs 000's)	
	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Net profit as reported	2,100,158	567,085
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Less: Stock based employee compensation expense determined under the fair value method	1,807	6,943
Pro-forma net profit	2,098,351	560,142
Earning per share: Basic		
As reported	10.05	2.72
Pro-forma	10.04	2.68
Earning per share: Diluted		
As reported	10.01	2.69
Pro-forma	10.01	2.66

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised)*	67.12% to 69.48%

* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

30. Gratuity Plan

The following tables set out the status of the gratuity plan as required under revised AS 15.

Reconciliation of the projected benefit obligations

	(Rs 000's)	
	Quarter ended 31 January 2009	Period ended 31 October 2008
Change in projected benefit obligation		
Obligations at period beginning	235,903	204,098
Service cost	31,910	46,209
Interest cost	3,294	9,457
Reconciliation of the projected benefit obligations (continued)		
Benefits paid	(4,736)	(17,079)
Actuarial loss/(gain)	(6,493)	(6,782)
Obligations at period end	259,878	235,903
Change in plan assets		
Plan assets at period beginning, at fair value	100,633	114,707
Expected return on plan assets	1,303	4,980
Expected return for 7 months (1.4.08 to 31.10.08)	5,200	-
Actuarial gain/(loss)	(9,224)	(2,655)
Contributions	-	680
Benefits paid	(4,736)	(17,079)
Plans assets at period end, at fair value	93,176	100,633
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets at the end of the period	93,176	100,633
Present value of defined benefit obligation at the end of the period	259,878	235,903
Liability recognised in the balance sheet	(166,702)	(135,270)
Assumptions		
Interest rate	5.89%	8.62%
Expected rate of return on plan assets	5.89%	8.62%
Expected contribution over next one year	25,000	25,000

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Gratuity cost for the period		
Service cost	31,910	10,597
Interest cost	3,294	3,423
Expected return on plan assets	(6,503)	(1,268)
Actuarial loss/(gain)	2,731	(8,966)
Net gratuity cost	31,432	3,786

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Revenue disclosure

	(Rs 000's)	
	Quarter ended 31 January 2009	Quarter ended 31 October 2008
Revenue recognised on customised software development contracts in progress	2,878,110	1,521,932
Disclosure for contracts in progress at the reporting date		
	31 January 2009	31 October 2008
Fixed Price projects:		
Revenue recognised until the reporting date	932,886	570,970
Unbilled revenue	302,443	345,534
Unearned receivable	11,802	17,269
Time and material projects:		
Revenue recognised during the quarter	2,477,055	4,716,265
Unbilled revenue	825,428	1,181,321
Unearned receivable	7,242	-

32. The Group paid an amount of US\$ 397,217 (Rs 17,529,186) against a claim received from a client in respect of alleged identity theft pertaining to customer bank accounts involving the Group's employees and ex-employees. Liquid assets and properties worth US\$ 228,489 (Rs 10,055,790) of the alleged offenders have been frozen by the authorities and legal action has been instituted against them. Under a separate deed of assignment, the client has assigned any amount recoverable from the aforesaid frozen assets of the alleged offenders to the Group. During the quarter ended 31 December 2005, the Group has reached settlements for US\$ 175,000 (Rs 7,650,875) with the insurance companies. The amount has since been received in cash.

During July 2007, the Group has received from the client, who was given this amount by the Court to be held in trust, an amount of Rs 10,732,170 including interest from the aforesaid frozen assets. The said amount has been assigned by the client to the group and has been kept in Fixed Deposit, until such time the Court in a final, non-appealable written order holds that the amounts may be appropriated by the the Group or the client.

33. The figures of previous period have been regrouped/reclassified, where necessary, to confirm with the current period's classification.

For and on behalf of the Board of Directors

for S.R. BATLIBOI & CO.
Chartered Accountants

Balu Ganesh Ayyar
Chief Executive Officer

Anthony Glasby
Director

per **Sunil Bhumalkar**
Partner
Membership No. 35141

Susanto Banerjee
Chief Financial Officer (Interim)

A. Sivaram Nair
Company Secretary

Bangalore
27 February 2009

Bangalore
27 February 2009

CONSOLIDATED CASH FLOW STATEMENT

(Rs 000's)

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Cash flows from operating activities:		
Profit before taxation	2,170,375	592,008
Adjustments for:		
Interest income	(17,700)	(19,537)
Dividend income	(16,531)	-
Loss / (Profit) on sale of fixed assets	763	(127)
Depreciation and amortisation	485,835	386,190
Interest on vehicle loans considered seperately	1,588	-
Effect of exchange rate changes	13,065	1,240
Operating profit before working capital changes	2,637,395	959,774
Debtors and unbilled revenues	140,315	650,478
Loans and advances	(182,894)	(259,421)
Current liabilities and provisions	536,314	(126,274)
Cash generated from operations	3,131,130	1,224,557
Income taxes (paid)/ refund	(201,948)	(140,782)
Net cash provided by operating activities	2,929,182	1,083,775
Cash flows from investing activities:		
Interest received	18,909	19,345
Proceeds from sale of fixed assets	15,808	443
Purchase of fixed assets	(541,022)	(669,391)
Dividend income	16,531	-
Purchase of units of Mutual Funds	(6,010,964)	-
Sale of units of Mutual Funds	4,043,363	-
Net cash used in investing activities	(2,457,375)	(649,603)

CONSOLIDATED CASH FLOW STATEMENT (continued)

(Rs 000's)

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Cash flows from financing activities:		
Proceeds from issue of share capital	131	924
Proceeds of premium from issue of share capital	1,183	10,454
Availment of secured loans	4,929	16,060
Repayment of secured loans	(8,284)	(6,872)
Interest expense on vehicle loans considered seperately	(1,588)	-
Dividend paid including dividend tax	(179)	(885)
Net cash provided by (used in) financing activities	(3,808)	19,681
Changes in cash and cash equivalents	467,999	453,853
Effect of exchange rate changes	(51,440)	(24,746)
Cash and cash equivalents at beginning of the period	731,198	1,016,432
Cash and cash equivalents at end of the period	1,147,757	1,445,539

This is the Consolidated Cash Flow Statement referred to in our report attached

For and on behalf of the Board of Directors

for S.R. BATLIBOI & CO.
Chartered Accountants

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per **Sunil Bhumralkar**
Partner
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Chief Financial Officer (Interim)

A. Sivaram Nair
Company Secretary

Bangalore
27 February 2009

Bangalore
27 February 2009

CONSOLIDATED CASH FLOW STATEMENT**Reconciliation of consolidated financial statement items with consolidated cash flow items****(Rs 000's)**

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Purchase of fixed assets		
As per the Consolidated Balance Sheet	901,040	466,606
Add: Closing capital work-in-progress	249,166	618,027
Add: Opening creditors for capital goods	302,372	35,996
Less: Opening capital work-in-progress	(730,719)	(420,677)
Less: Closing creditors for capital goods	(180,837)	(30,561)
Purchase of fixed assets	541,022	669,391
Loans and advances		
As per the Consolidated Balance Sheet	3,867,297	3,045,810
Less: Advance income tax & tax deducted at source considered separately	(1,310,839)	(1,349,098)
Less: MAT credit entitlement considered separately	(571,389)	(68,194)
Add: Effect of foreign exchange translation	14,125	118
	1,999,194	1,628,636
Less: Opening balance considered	1,816,300	1,369,215
Changes in loans and advances	182,894	259,421
Current Liabilities and Provisions		
As per the Consolidated Balance Sheet	6,426,618	3,778,937
Less: Creditors for capital goods, liability for unclaimed dividend, provision for taxation and proposed dividend & tax thereon considered separately	(1,628,373)	(718,185)
Less: Liability for Kshema acquisition considered separately	(17,060)	(17,060)
Less: Liability for EDS India merger expenses considered separately	(66,688)	(66,688)
Less: Hedge Reserve	(182,889)	-
Add: Effect of foreign exchange translation	43,881	2,813
	4,575,489	2,979,817
Less: Opening balance considered	4,039,175	3,106,091
Changes in current liabilities and provisions	536,314	(126,274)

CONSOLIDATED CASH FLOW STATEMENT (continued)**Reconciliation of consolidated financial statement items with consolidated cash flow items (continued)**

(Rs 000's)

	Quarter ended 31 January 2009	Quarter ended 31 January 2008
Income taxes paid/(refund)		
As per the Consolidated Profit and Loss Account	70,217	24,923
Add: Increase in deferred taxes	52,722	16,128
Less: Increase/ (decrease) net of provision for taxation	(82,619)	31,537
Add: Increase in balance in MAT credit entitlement	161,628	68,194
Income taxes paid	201,948	140,782
Interest Received		
Interest income, Net	17,700	19,537
Add: Opening interest receivable	2,247	2,328
Less: Closing interest receivable	(1,038)	(2,520)
Interest received	18,909	19,345
Sundry debtors and unbilled revenue		
As per the Consolidated Balance Sheet	8,627,277	5,127,270
Add: Effect of foreign exchange translation	42,079	8,813
	8,669,356	5,136,083
Less: Opening Balance considered	8,809,671	5,786,561
Changes in sundry debtors and unbilled revenue	(140,315)	(650,478)

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Anthony Glasby
Director

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Chief Financial Officer (Interim)

A. Sivaram Nair
Company Secretary

Bangalore
27 February 2009

MANAGEMENT DISCUSSION AND ANALYSIS OF CRITICAL ACCOUNTING POLICIES AND GLOSSARY OF TERMS USED IN THE FINANCIAL STATEMENTS

A. Management discussion of critical accounting policies

Critical Accounting Policies

The fundamental objective of financial reporting is to provide useful information that allows a reader to comprehend the business activities of an organisation. To aid in the understanding of the MphasiS Group's financial statements, management has identified certain "critical accounting policies". These policies have the potential to have a more significant impact on our financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events which are continuous in nature.

The discussion and analysis of the Group's financial condition and results of operations are based upon the Group's Audited Consolidated Financial Statements, which have been prepared in accordance with the accounting standards pronounced by the Institute of Chartered Accountants of India and accounting principles generally accepted in India. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities as at the date of the financial statements. Management estimates, judgments and assumptions are continually evaluated based on available information and experience. Due to the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. Certain of the Group's accounting policies require higher degrees of judgment than others in their application. A "critical accounting policy" is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The management believes that the accounting policies discussed below fit this definition. In addition, Note 1 to the Audited Consolidated Financial Statements includes further discussion of the Group's significant accounting policies.

Revenue Recognition

The Group provides services under time-and-material, unit-price or fixed-price contracts, which may extend beyond the current financial period. Under time-and-material and unit-price contracts under which costs are generally incurred in proportion with contracted billing schedules, revenue is recognised when the customer may be billed. Such method is expected to result in reasonably consistent profit margins over the contract term. For fixed-price contracts, the Group follows the percentage-of-completion method. The percentage-of-completion methodology generally results in the recognition of reasonably consistent profit margins over the life of a contract. Amounts recognised as revenue are calculated using the percentage of services completed, on a current cumulative cost to total cost basis. Cumulative revenues recognised may be less or greater than cumulative billings at any point in time during a contract's term. The resulting difference is recognised as unbilled revenue or unearned receivable, depending on whether the revenue recognised is greater or less than the cumulative billings, respectively.

Any estimation process, including that used in preparing contract accounting models, involves inherent risk. Management reduce the inherent risks relating to revenue and cost estimates in percentage-of-completion models through corporate policy, approval and monitoring processes. Risks relating to service delivery, usage, productivity and other factors are considered in the estimation process. If considerable risk exists, a zero-profit methodology is applied to a specific client contract's percentage-of-completion model whereby the amount of revenue recognised is limited to the amount of costs incurred until such time as the risks have been partially or wholly mitigated through performance. Management estimates of revenues and expenses on client contracts change periodically in the normal course of business, occasionally due to modifications of contractual arrangements. In addition, the implementation of cost saving initiatives and

MANAGEMENT DISCUSSION AND ANALYSIS OF CRITICAL ACCOUNTING POLICIES AND GLOSSARY OF TERMS USED IN THE FINANCIAL STATEMENTS

achievement of productivity gains generally results in a reduction of estimated total contract expenses on the relevant client contracts. For client contracts accounted for under the percentage-of-completion method, such changes would be reflected in the results of operations as a change in the accounting estimate in the period the revisions are determined. For all client contracts, provisions for estimated losses, i.e. where the total contract costs are expected to exceed the total contract revenues, on individual contracts are made in the period in which such losses first become apparent.

Provision for Doubtful Debts

Most of the Group's receivables are generated on a fee-for-service basis and are subject to credit losses. Management have attempted to provide for expected credit losses based on managements past experience with similar receivables and believe such provisions to be adequate. It is possible, however, that the accuracy of management estimation process could be materially impacted as the composition of this pool of receivables changes over time. Management continually reviews and refines the estimation process to make it as reactive to these changes as possible.

Specifically, the management makes estimates of the collectibility of receivables. Management specifically analyses receivables and analyses historical bad debts, client concentrations, client credit-worthiness, current economic trends and changes in the Group's client payment terms when evaluating the adequacy of the provision for doubtful debts. Management evaluates the collectibility of the Group's receivables on a case-by-case basis, and makes adjustments to the provision for doubtful debts for expected losses.

Income taxes

As part of the process of preparing the Group's consolidated financial statements management is required to estimate the Group's income taxes in each of the jurisdictions in which the Group operates. This process involves management estimating the Group's actual current tax exposure together with assessing timing differences resulting from differing treatment of items, such as depreciation, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Group's consolidated balance sheet. Management must then assess the likelihood that the Group's deferred tax assets will be recovered from future taxable income and to the extent management believes that recovery is not virtually certain no deferred tax assets are created.

Significant management judgment is required in determining the Group's provision for income taxes, the Group's deferred tax assets and liabilities. This is based on management estimates of taxable income by jurisdiction in which the Group operates and the period over which the Group's deferred tax assets will be recoverable. In the event that actual results differ from these estimates or management adjusts these estimates in future periods management may need to make an additional provision for taxation which could impact the groups financial position and results of operations.

B. Glossary of Terms used in the Financial Statements

Revenues

The Group derives its revenues primarily from software and call centre services. Revenues from software services comprise income from time-and-material and fixed-price contracts while those from call centre services are mainly from time and material contracts. Revenue with respect to time-and-material contracts is recognised as services are provided and related costs are incurred. Revenue from fixed-price contracts is recognised using the percentage of completion method, under which the revenue recognised is determined by relating the actual cost of work performed upto the balance sheet date to the estimated total cost for each contract. Estimates of costs remaining for completion are subject to periodic revisions. Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. The asset 'unbilled revenues' represents revenues in excess of amounts billed to clients as at the balance sheet date for work done between contract milestones. Revenue in the call centres is recognised based on the amounts actually billed / billable to clients in terms of the relevant contracts.

Cost of Revenues

Cost of revenues primarily consists of salary and other employee compensation expenses, staff welfare expenses, rent, depreciation, data communications expenses and link charges, computer maintenance, cost of software purchased for internal use, and foreign travel expenses. In the software development business the Group depreciates all computers over two years, buildings over ten years, plant & machinery as well as furniture & fixtures in four years and office equipment and vehicles in three years. Leasehold improvements are depreciated over the initial period of the lease or over three years, whichever is lower. Third party software is expensed in the period in which it is acquired whereas significant purchased application software which is integral to the Group's computer systems are capitalised and depreciated over the estimated useful life of the software or three years, whichever is lower. In the call centre and business process outsourcing business the assets are depreciated over five years except vehicles and buildings, which are depreciated over three years and ten years, respectively. The Group assumes full project management responsibility for each project that it undertakes.

Gross Profit

Gross profit represents the difference between Revenues and Costs of Revenues as explained above.

Selling Expenses

Selling expenses primarily consist of expenses relating to advertisements, brand building, rentals of sales and marketing offices, salaries of personnel in sales & marketing. Also included are travelling & conveyance expenses and expenses relating to communications, depreciation of assets used in marketing offices and other related miscellaneous expenses for sales and marketing.

General & Administrative Expenses

General and Administrative expenses primarily consist of expenses relating to rentals of general and administrative offices, salaries of senior management and personnel in finance & administration, legal and human resources. Also included are travelling & conveyance expenses and expenses relating to communications, finance and administration, legal and professional charges, insurance, miscellaneous administrative costs, depreciation of assets used in administrative offices and other related miscellaneous expenses.

Employee Benefits

Gratuity which is a defined benefit is accrued based on independent actuarial valuation as at the balance sheet date. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Short term compensated absences are provided based on estimates. Long term compensated absences are provided based on actuarial valuation.

Contributions payable to the recognised provident fund and approved superannuation scheme, which are defined contribution schemes, are charged to the profit and loss account.

Amortisation of ESOP Costs

"Option Discount" calculated as per the guidelines issued by the Securities and Exchange Board of India is amortised over the vesting period of the options. Option Discount means the excess of the market price / fair value of the shares as on the date of grant of the Options over the Option exercise price.

Provision for Doubtful Debts

This relates to the charge for debts that the Group no longer considers recoverable. Provisions are made based on the financial stability and health of the debtor and assessed periodically.

MANAGEMENT DISCUSSION AND ANALYSIS OF CRITICAL ACCOUNTING POLICIES AND GLOSSARY OF TERMS USED IN THE FINANCIAL STATEMENTS

Operating Profit

Operating Profit represents the profits from operations i.e. the Gross Profit less Selling Expenses, General and Administrative Expenses, Amortisation of ESOP Costs, Provision for Doubtful Debts and other exceptional or non-recurring items.

Foreign exchange gain / (loss), net

This represents the net gain or loss on translation of foreign currency assets and liabilities held in the books of the Group's Indian companies into Rupees. This would be offset partially by the gain or loss on the hedging transactions undertaken by the Group, mostly through forward covers. The net gain or loss on translation of foreign currency assets and liabilities held in the books of the Group's overseas subsidiaries into Rupees is taken directly to the Balance Sheet under foreign currency translation reserves.

The Company has adopted the principles of AS 30 relating to cash flow hedge accounting wherein the resultant gain/loss is credited/debited to the hedging reserve included in the Reserves and Surplus. This gain/loss is recorded in profit and loss account when the underlying transactions affect earnings.

Other Income/ (expense), net

Other income includes profit or loss on sale of assets and other miscellaneous income or expense.

Interest, net

This represents interest income net of interest expenses. Interest income includes interest from overnight bank balances deposits with banks, interest & dividends earned from investments in Money Market instruments, and interest on deposits with Financial Institutions.

Income Taxes

Income Taxes represent the provision for Corporate & Income Taxes in various countries where revenues are earned. These taxes are based on the capital structure of the Companies in the relevant countries as also the revenues earned and expenses incurred in these locations as increased by an allocation of corporate overheads and expenses. In estimating these taxes, adjustments are made for Deferred Tax assets and liabilities.

The Group's operations in India enjoy a tax holiday under Indian Income Tax laws as they are predominantly in the nature of export of software and related services and the earnings are in foreign currencies. The Group's earnings in India from Domestic customers as well as non-software related income such as interest or rental incomes are, however, subject to taxation in India.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Except for the historical information and discussions contained herein, statements included in this release include "forward-looking statements". These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those that may be projected by these forward looking statements. These risks and uncertainties include, but are not limited to, competition, acquisitions, attracting, recruiting and retaining highly skilled employees and managing risks associated with customer projects as well as other risks. The MphasiS Group undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

The following discussion and analysis should be read in conjunction with the Group's Indian GAAP Audited Consolidated financial statements and the notes thereon.

The Group, pursuant to the approval from its Board of Directors, has changed the financial year from April-March to November-October with effect from 1st November 2008 to align to the financial quarters and year of HP consequent to the merger of EDS, which is a majority shareholder of the Group, with HP.

The following table compares the audited financials for the quarter ended 31 January 2009 with audited financials for the quarter ended 31 October 2008

Sequential Profit and Loss for Quarter ended January 2009 and Quarter ended October 2008

	Rs million	
	QE-Jan-09	QE-Oct-08
Revenues	9,776.6	8,947.2
Cost of revenues	6,578.9	6,316.2
Gross Profit	3,197.7	2,630.9
<i>Gross Margin %</i>	<i>32.7%</i>	<i>29.4%</i>
Selling General & Administrative Expenses		
Selling expenses	418.8	353.8
General and administrative expenses	673.0	575.0
Provision for doubtful debts	-	9.1
Total Selling General & Administrative Expenses	1091.8	937.9
S G & A %	11.2%	10.5%
Operating Profit	2,105.9	1,693.0
<i>Operating Margin %</i>	<i>21.5%</i>	<i>18.9%</i>
Foreign exchange gain/(loss), net	30.9	174.6
Other Income/(expense) , net	15.8	7.7
Interest income	17.7	8.4
Profit before tax	2,170.4	1,883.7
Income tax (incl Fringe benefit tax)	70.2	53.6
Net Profit	2,100.2	1,830.1
<i>Net Margin %</i>	<i>21.5%</i>	<i>20.5%</i>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

A. Results of operations - MphasiS Group

1. Quarter ended 31 January 2009 compared to Quarter ended 31 October 2008

Revenues

The Group revenues increased by Rs 829.4 million or by 9.3% to Rs 9,776.6 million for the quarter ended 31 January 2009 over revenues of Rs 8,947.2 million for the quarter ended 31 October 2008. Nine new clients including six relationships through HP were added during the quarter. Most of the industry verticals grew with Healthcare and Pharma growing significantly over the quarter ended 31 October 2008. Revenues in Application services grew by 11.4%, ITO grew by 20% and BPO declined by 1.6% in the quarter ended January 2009 over quarter ended 31 October 2008. Revenues from Europe increased by 25.4%, taking Europe's share of revenues up by 3% with drop in the share of revenues from the USA by 2%. The Indian Rupee continued to depreciate against the US Dollar in the current quarter helping revenues to grow over the quarter ended 31 October 2008. Revenues for the quarter ended 31 January 2009 were adjusted by the difference between the spot exchange rate in the completed forward contracts and the prevailing spot exchange rates during the quarter in line with the Accounting Standard 30 issued by the Institute of Chartered Accountants of India.

Cost of Revenues

The cost of revenues were Rs 6,578.9 million for the quarter ended 31 January 2009, an increase of Rs 262.7 million (growth of 4.2%) over the cost of revenues of Rs 6,316.2 million for the quarter ended 31 October 2008. The increase is in line with the volume of business. Investment in delivery capacity resulted in the increase of cost of revenues. The cost of revenues represented 67.3% and 70.6% of revenues for the quarters ended 31 January 2009 and 31 October 2008 respectively. The quarter ended 31 January 2009 saw a net increase in headcount by 638 in Applications, and decrease by 16 in BPO and an increase by 571 in ITO taking the Group total to 29,988 as on 31 January 2009 from 28,795 as on 31 October 2008, a net increase of 1,193 in group headcount.

Gross Profit

The gross profit increased by Rs 566.8 million or 21.5% from Rs 2,630.9 million for the quarter ended 31 October 2008 to Rs 3,197.7 million for the quarter ended 31 January 2009. As a percentage of revenue, the gross margin increased by 3.3% from 29.4% for the quarter ended 31 October 2008 to 32.7% for the quarter ended 31 January 2009. Though blended utilisation dropped in the current quarter, optimisation of costs, improvements in onsite billing rates and depreciation of the Indian Rupee against the US Dollar resulted in increase in the gross margins compared to the quarter ended 31 October 2008.

Selling Expenses

Selling expenses increased by Rs 65.0 million or 18.4% from Rs 353.8 million for the quarter ended 31 October 2008 to Rs 418.8 million for the quarter ended 31 January 2009. As a percentage of revenues, selling expenses was 4.3% of revenues for the quarter ended 31 January 2009, a marginal increase of 0.2% over the preceding quarter. Selling expenses during the quarter increased primarily due to additional sales force. The Indian Rupee continued to depreciate against US Dollar increasing the selling expenses on translation as most of the selling expenses are incurred in US Dollar.

General and Administrative Expenses

General and Administrative expenses were Rs 673.0 million for the quarter ended 31 January 2009, representing an increase of Rs 98.0 million or 17.0% over Rs 575.0 million for the quarter ended 31 October 2008. As a percentage

of revenues, general and administrative expenses increased marginally by 0.4% from 6.4 % for the quarter ended 31 October 2008 to 6.9% for the quarter ended 31 January 2009. The increase in general and administrative expenses is primarily on account of additional manpower hired to support growth and one time expenses incurred to recalibrate future commitments.

Provision for Doubtful Debts

The group did not have any debt which was doubtful of recovery during the quarter ended 31 January 2009. The group had provided Rs 9.1 million for debts considered doubtful during the quarter ended 31 October 2008.

Operating Profit

The operating profit was Rs 2,105.9 million for the quarter ended 31 January 2009, representing an increase of Rs 412.9 million or 24.4 % over the operating profit of Rs 1,693.0 million for the quarter ended 31 October 2008. As a percentage of revenues, the operating margin increased by 2.6% from 18.9% for the quarter ended 31 October 2008 to 21.5% for the quarter ended 31 January 2009. Higher gross profits as discussed earlier resulted in increase in operating profit for the quarter.

Foreign exchange gain/(loss), net

The gain on foreign exchange during the quarter ended 31 January 2009 was Rs 30.9 million as against a gain of Rs 174.6 million during the quarter ended 31 October 2008. The gain in restatement of assets as on the Balance sheet date due to depreciating Indian Rupee against the US dollar, net of the losses in the forward contracts executed on underlying assets in the Balance Sheet and maturing in the current quarter resulted in a gain on foreign exchange in the quarter ended 31 January 2009.

Other income /(expense), net

The net other income during the quarter ended 31 January 2009 was Rs 15.8 million as compared to a net other income of Rs 7.7 million for the quarter ended 31 October 2008. Dividend income earned from short term investment in Liquid mutual funds has increased the other income during the quarter.

Interest income/(expense), net

Interest income, net of expenses, resulted in a net income of Rs 17.7 million for the quarter ended 31 January 2009 as compared to a net income of Rs 8.4 million for the quarter ended 31 October 2008. The increase was on account of increased bank deposits and interest earned on refund of Income tax earlier paid on demand.

Income Taxes (including Fringe Benefit Tax)

Income tax for the quarter ended 31 January 2009 was Rs 70.2 million compared to Rs 53.6 million in the quarter ended 31 October 2008. Taxes on overseas entities which have recouped their past losses and turned profitable resulted in higher taxes during the current quarter.

Net Profit

The net profit after taxes were Rs 2,100.2 million for the quarter ended 31 January 2009, compared to the net profit of Rs 1,830.1 million for the quarter ended 31 October 2008, an increase of Rs 270.1 million (growth of 14.8%). As a percentage of revenues, the net margin increased from 20.5% for the quarter ended 31 October 2008 to 21.5% for the quarter ended 31 January 2009. Higher operating profit along with a moderate foreign exchange gain has resulted in increase in net profit and net margins during the quarter.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

2. Quarter ended 31 January 2009 compared to quarter ended 31 January 2008

Revenues

The revenues for the Group increased by 3,593.3 million or 58.1% to Rs 9,776.6 million for the quarter ended 31 January 2009, from Rs 6,183.3 million for the quarter ended 31 January 2008. Revenues have significantly grown in Europe by 82.5%, and India and Middle East by 106.1%. All verticals grew significantly with Healthcare and Pharma increasing by 195.0% and banking and financial services by 71.5%. Revenues from Applications grew by 61.2%, BPO grew by 24.6% and ITO grew by 112.8% during the quarter ended 31 January 2009. Increased volumes from existing clients as well as business from new clients resulted in growth in revenues. Depreciation of Indian Rupee against the US Dollar, improved billing rates also led to the growth in revenues.

Cost of Revenues

The cost of revenues were Rs 6,578.9 million for the quarter ended 31 January 2009, an increase of Rs 1,634.5 million (growth of 33.1%) over the cost of revenues of Rs 4,944.4 million for the quarter ended 31 January 2008. The cost of revenues represented 67.3% and 80.2% of revenues for the quarters ended 31 January 2009 and 31 January 2008, respectively. The increase in cost of revenues over the quarter ended 31 January 2009 is in line with the increase in volume of business. Increase in salary costs and investments in delivery capacity also led to the increase. Headcount in Applications business increased by 641, BPO increased by 1,610 and ITO increased by 1,206 taking the Group total to 29,988 as on 31 January 2009 as against 26,531 as on 31 January 2008, a net increase of 3,457 in group headcount.

Gross Profit

Gross profit increased by Rs 1,958.9 million or by 158.1% to Rs 3,197.7 million for the quarter ended 31 January 2009 compared to Rs 1,238.8 million for the quarter ended 31 January 2008. The increase in the gross profits is mainly attributable to growth in revenues and was further aided by cost optimisations and productivity improvements. As a percentage of revenue, the gross margin increased by 12.7% from 20.0% for the quarter ended 31 January 2008 to 32.7% for the quarter ended 31 January 2009. The gross margins improved due to better performance of the operating levers like utilisation, billing rates. Depreciation of Indian Rupee against the US Dollar significantly helped to improve margins also.

Selling Expenses

The Group incurred selling expenses of Rs 418.8 million for the quarter ended 31 January 2009, representing an increase of 122.4% over the expenses of Rs 188.3 million for the quarter ended 31 January 2008. Selling expenses was 4.3% of revenues for the quarter ended 31 January 2009 compared to 3.0% for the corresponding quarter 31 January 2008. The group invested in sales force to increase coverage which led to increase in selling expenses. Depreciation of the Indian Rupee against the US dollar increased selling expenses on account of translation as most of selling expenses are incurred in US Dollar.

General and Administrative Expenses

The Group incurred general and administrative expenses of Rs 673.0 million for the quarter ended 31 January 2009, representing an increase of 55.1% over the expenses of Rs 433.8 million for the quarter ended 31 January 2008. General and administrative expenses were 6.9% of revenues for the quarter ended 31 January 2009 compared to 7.0% for the corresponding quarter in 2008. The increase in general and administrative expenses during the quarter is primarily on account of increase in manpower to support growth and salary increments given year on year. One time expenses incurred to recalibrate future commitments during the quarter also increased the general and administrative expenses compared to the quarter ended 31 January 2008.

Provision for Doubtful Debts

The group did not have any debt which was doubtful of recovery during the quarter ended 31 January 2009. The amount provided was Rs 9.1 million for the quarter ended 31 January 2008.

Operating Profit

The Group operating profit was Rs 2,105.9 million for the quarter ended 31 January 2009 representing an increase of Rs 1,498.3 million or 246.6% over Rs 607.6 million for the quarter ended 31 January 2008. Operating profit as a percentage of revenues was 21.5% for the quarter ended 31 January 2009 compared to 9.8% for the corresponding quarter in 2008. Higher gross profits and gross margins as discussed earlier resulted in increase in operating profit and operating margins for the quarter.

Foreign exchange gain/(loss), net

The gain on foreign exchange during the quarter ended 31 January 2009 was Rs 30.9 million as against a loss of Rs 35.4 million in the quarter ended 31 January 2008. Gain on foreign exchange was a result of a depreciating Indian Rupee against the US dollar resulting in a gain on restatement of assets as on the Balance Sheet date.

Other income /(expense), net

The net other income for the quarter ended 31 January 2009 was Rs 15.8 million from Rs 0.2 million of net other income for the quarter ended 31 January 2008. The net other income for the current quarter included dividend income from short term investment in liquid mutual funds.

Interest income /(expense), net

Interest income, net of expenses was Rs 17.7 million for the quarter ended 30 January 2009 as compared to Rs 19.5 million for the quarter ended 31 January 2008. Investments in liquid mutual funds yielding dividend income accounted as "other income" which has resulted in lower interest income during the quarter.

Income Taxes (including Fringe Benefit Tax)

Income tax for the quarter ended 31 January 2009 was Rs 70.2 million compared to Rs 24.9 million for the quarter ended 31 January 2008. Taxes on overseas entities which have recouped their past losses and turned profitable resulted in higher taxes during the current quarter. Increase in domestic income, increase in expenses subjected to fringe benefit tax, units retiring from the tax holiday, also led to the increase in income tax provision during the quarter ended 31 January 2009 compared to the quarter ended 31 January 2008.

Net Profit

The net profit after taxes was Rs 2,100.2 million for the quarter ended 31 January 2009, an increase of Rs 1,533.1 million (growth of 270.4%) over the net profit of Rs 567.1 million for the quarter ended 31 January 2008. Net profit as a percentage of total income was 21.5% in the quarter ended 31 January 2009 compared to 9.2% in the quarter ended 31 January 2008. Higher net profits and higher net margins during the current quarter resulted from the higher operating profits and higher operating margins.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

B. Analysis of Revenues & Human Resources

I. Revenues

Revenues reported for the quarter ended 31 January 2009 in the following tables are gross of adjustments from Hedging Reserve of Rs. 76.1 million. Refer Reserves & Surplus schedule in the Financial Statements.

(a) Revenues by Vertical/Industry

Rs millions

Vertical/Industry	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Banking & Financial Services	4,223 43%	3,942 44%	2,462 40%	8,030 42%
Technology & OEMs	2,423 25%	2,058 23%	1,419 23%	4,470 23%
Telecom	903 9%	980 11%	871 14%	2,153 12%
Manufacturing & Retail	1,264 13%	1,094 12%	863 14%	2,589 14%
Logistics, Airlines & Transportation	512 5%	506 6%	389 6%	1,033 5%
Healthcare & Pharma	528 5%	367 4%	179 3%	790 4%
Total	9,853	8,947	6,183	19,065

(b) Revenues by Geography

Rs millions

Regions	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
USA	6,638 67%	6,188 69%	4,382 70%	12,905 68%
Europe	2,133 22%	1,702 19%	1,169 19%	3,664 19%
Asia Pacific	373 4%	392 4%	288 5%	870 5%
India & Middle East	709 7%	665 8%	344 6%	1,626 8%
Total	9,853	8,947	6,183	19,065

(c) Revenues by Service Type

Rs millions

Service Type	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Application Maintenance & Other Services	3,386 34%	3,048 34%	2,195 35%	6,364 33%
Application Development	3,027 31%	2,709 30%	1,779 29%	5,844 31%
Customer Service	829 8%	850 10%	674 11%	1,954 10%
Service / Technical Help Desk	741 8%	739 8%	491 8%	1,535 8%
Transaction Processing Service	486 5%	520 6%	386 6%	1,111 6%
Infrastructure Management Services	1,006 10%	731 8%	379 6%	1,513 8%
Knowledge Processes	378 4%	350 4%	279 5%	744 4%
Total	9,853	8,947	6,183	19,065

(d) Revenues by Project Type

Rs millions

Project Type	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Time and Material	9,225 94%	8,423 94%	6,006 97%	18,226 96%
Fixed Price	628 6%	524 6%	177 3%	839 4%
Total	9,853	8,947	6,183	19,065

(e) Revenues by Delivery Location

Rs millions

Delivery Location	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Onsite	2,724 28%	2,355 26%	1,331 22%	4,877 26%
Offshore	7,129 72%	6,592 74%	4,852 78%	14,188 74%
Total	9,853	8,947	6,183	19,065

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(f) Group - Client Concentration

	Rs millions			
	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Revenues from Top Client	15%	15%	12%	14%
Revenues from Top 5 Clients	36%	33%	32%	34%
Revenues from Top 10 Clients	50%	48%	48%	47%
Clients Contributing more than:				
\$ 1 million Revenues	95	94	85	95
\$ 5 million Revenues	31	32	27	29
\$ 10 million Revenues	21	18	15	17
\$ 20 million Revenues	7	8	7	9
Receivables Days	43	41	42	41

II. Human Resources

(a) Number of Employees

	YTD			
	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Onsite				
- Applications	1,581	1,519	1,177	1,519
- BPO	116	118	89	118
- ITO	24	-	-	-
Offshore				
- Applications	9,648	9,072	9,411	9,072
- BPO	13,840	13,854	12,257	13,854
- ITO	4,779	4,232	3,597	4,232
Total	29,988	28,795	26,531	28,795

(b) Average Billing Rates

	\$/hr			
	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Onsite				
- Applications	71	69	68	69
- ITO	70	-	-	-
Offshore				
- Applications	22	22	22	22
- BPO	10	10	10	10
- ITO	21	21	19	21

(c) Average Utilisation Rates

	Quarter ended		YTD	
	31 January 2009	31 October 2008	31 January 2008	31 October 2008
Applications				
Excluding Trainees				
- Onsite	84%	85%	83%	85%
- Offshore	75%	80%	68%	77%
- Blended	76%	81%	70%	78%
Including Trainees				
- Onsite	84%	85%	83%	85%
- Offshore	72%	77%	65%	73%
- Blended	74%	78%	67%	75%
BPO				
Process Utilisation (excluding trainees)	65%	68%	66%	68%
Process Utilisation (including trainees)	58%	58%	53%	57%
ITO				
Excluding Trainees				
- Onsite	85%	-	-	-
- Offshore	78%	78%	75%	74%
- Blended	78%	78%	75%	74%
Including Trainees				
- Onsite	85%	-	-	-
- Offshore	73%	73%	71%	71%
- Blended	73%	73%	71%	71%

C. Liquidity and Capital Resources*Credit Lines Available & Utilisation*

The Group has available credit lines with banks in India. The total funded and non funded credit lines at the disposal of the Group as at 31 January 2009 was Rs 244.4 million (USD 5 million). The credit lines were utilised only towards providing guarantees and letters of credit.

Cash and bank balance and Investment of cash surplus

The Group's treasury policy calls for investing only in highly rated banks, debt instruments through liquid mutual funds and companies for short to medium maturities. The Group maintains balances both in Indian Rupee and foreign currency accounts in India and overseas. The investment philosophy of the Group is to ensure capital preservation and liquidity in preference to returns.

As on 31 January 2009 the balance of cash and cash equivalents in the Group invested in term deposits or lying with current accounts was Rs 1,147.8 million as against Rs 731.2 million as on 31 October 2008. During the quarter ended 31 January 2009, the group made an investment of Rs 1,967.6 million in liquid mutual funds which were not redeemed till the end of the quarter. Cash balances together with investments as at 31 January 2009 stood at Rs 3,115.4 million compared to a balance of Rs 731.2 million as at 31 October 2008. The increase in the cash position of the group was due to improved cash flow from operations. Book overdraft has been regrouped under current liabilities and Cash & Bank balances have been grossed up by the same amount as on 31-Jan-09 & 31-Oct-08.

As the Group parent company, MphasiS Limited is incorporated in India, investments by it in subsidiaries overseas are subject to exchange control regulations of the Government of India.

