

Group Financial Overview and Trends for the Quarter ending 30 Sep 2016

	Page
Overview of Quarter Results	1 & 2
Consolidated Profit and Loss Account	3
Key Performance Indicators – Profit and Loss Account	4
Consolidated Balance Sheet	5
Key Performance Indicators – Balance Sheet	6
Primary Segment Information	7
Analysis of Revenues	8 to 10
Tower Information	10 & 11
Client wins & hedge	12
Trends	13 to 15

Overview of Quarterly Results

Safe Harbor:

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Mphasis will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Mphasis adopted Ind AS framework starting Q1 FY17. Comparable prior period numbers have been restated in compliance with Ind AS for a meaningful comparison.

1. Key Highlights

- Direct Core revenue grew 13.8% YoY and 0.2% QoQ on a reported basis. Net of rupee depreciation, revenue grew 12.8% YoY. Net of rupee appreciation, revenue grew 1.2% QoQ.
- Deals with TCV of USD 83 million won in Q2 FY17.
- HP revenue grew 1.5% QoQ on a reported basis.
- Operating margin increased by 150 bps YoY and 10 bps QoQ to 15.3% in Q2 FY17.
- Net profits grew 10.5% YoY and 6.0% QoQ to ₹ 2,166 million in Q2 FY17.
- EPS grew 6.0% during the quarter before exception items to ₹ 10.32.
- Strong operating cash generation of ₹ 3,417 million during the quarter.
- DSO improved by 7 days to 67 days in Q2 FY17.

2. Revenue

a. Direct International

- Won significant deals with TCV of USD 83 million in Q2 FY17. 44% of the deals are in focus areas of Digital, NextGen and GRC services.
- Revenue grew 5.1% YoY and declined 1.1% QoQ on a reported basis.
- Net of rupee depreciation, revenue grew 3.7% YoY. Net of rupee appreciation, revenue declined 0.2% QoQ.

b. HP Business

Revenue grew 1.5% QoQ to ₹ 3,579 million in Q2 FY17, witnessing a growth in revenue. HP Business constitutes 24% of the total revenues.

c. Others

Excluding domestic BPO business, revenue declined 15.9% YoY over Q2 FY16. Revenue declined 4.2% QoQ to ₹ 593 million in Q2 FY17. Decline is on account of higher trading revenue in Q2 FY16 and Q1 FY17.

3. Financial indicators

a. Revenues

Excluding domestic BPO business, net revenue remained flat YoY and QoQ at ₹ 15,176 million in Q2 FY17. Net of rupee appreciation, revenue grew 0.8% QoQ driven by growth in Direct Core and HP business. Net of rupee depreciation, revenue declined 1.3% YoY.

b. Gross Profit

Gross profit increased by 3.1% YoY and marginally declined QoQ during Q2 FY17 to ₹ 4,137 million. Gross margin expanded by 150 bps YoY and remained flat QoQ at 27.3%.

c. Selling Expenses

Selling expenses were at ₹ 985 million (6.5% of revenue) in Q2 FY17 as against ₹ 983 million (6.3% of revenue) in Q2 FY16 and ₹ 1,003 million (6.6% of revenue) in Q1 FY17.

d. General and Administrative Expenses

General and Administrative expenses were at ₹ 829 million (5.5% of revenue) in Q2 FY17 as against ₹ 886 million (5.7% of revenue) in Q2 FY16 and ₹ 836 million (5.5% of revenue) in Q1 FY17.

e. EBIT

Operating margin expanded by 150 bps YoY and 10 bps QoQ to 15.3% in Q2 FY17. Operating profit for Q2 FY17 was ₹ 2,323 million representing an increase of 8.2% over Q2 FY16 and 0.6% over Q1 FY17.

f. Net Profit

Net profit for Q2 FY17 was ₹ 2,107 million. Certain accelerated cost provisions on account of HP stake sale to Blackstone is reflected as exceptional item during the quarter. Net margins improved by 170 bps YoY and 80 bps QoQ to 14.3% before exceptional items in Q2 FY17.

g. Cash Management

Cash and cash equivalents increased by ₹ 3,158 million during the quarter to ₹ 33,615 million (USD 506M). Excluding impact of loan repayment of ₹ 259 million, operating cash generated during the quarter was ₹ 3,417 million.

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	QoQ Growth %	Quarter ended 30 Sep 2015	YoY Growth %
Gross Revenues	14,997	15,090	-0.6%	15,498	-3.2%
Adjustment from Hedging Reserve	179	77	132.5%	55	225.5%
Net Revenues	15,176	15,167	0.1%	15,553	-2.4%
<i>Cost of revenues</i>	<i>11,039</i>	<i>11,020</i>	<i>0.2%</i>	<i>11,541</i>	<i>-4.3%</i>
Manpower cost	8,782	8,885	-1.2%	8,978	-2.2%
Rent	532	515	3.3%	654	-18.7%
Depreciation and Amortization	123	116	6.0%	158	-22.2%
Others	1,602	1,504	6.5%	1,751	-8.5%
Gross profit	4,137	4,147	-0.2%	4,012	3.1%
<i>Selling expenses</i>	<i>985</i>	<i>1,003</i>	<i>-1.8%</i>	<i>983</i>	<i>0.2%</i>
Manpower cost	738	782	-5.6%	742	-0.5%
Travel	115	109	5.5%	110	4.5%
Depreciation and Amortization	6	13	-53.8%	12	-50.0%
Others	126	99	27.3%	119	5.9%
<i>General and administrative expenses</i>	<i>829</i>	<i>836</i>	<i>-0.8%</i>	<i>886</i>	<i>-6.4%</i>
Manpower cost	550	538	2.2%	518	6.2%
Rent	27	25	8.0%	24	12.5%
Depreciation and Amortization	11	8	37.5%	9	22.2%
Others	241	265	-9.1%	335	-28.1%
<i>Provision for doubtful debts</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(3)</i>	<i>-</i>
Operating profit	2,323	2,308	0.6%	2,146	8.2%
Foreign exchange gain, net	63	84	-25.0%	125	-49.6%
Other income, net	648	488	32.8%	481	34.7%
Interest expenses	(46)	(53)	-13.2%	(75)	-38.7%
Profit before taxation before Exceptional Item	2,988	2,827	5.7%	2,677	11.6%
Exceptional Item (net of taxes)	59	-	-	53	-
Profit before taxation after Exceptional Item	2,929	2,827	3.6%	2,624	11.6%
Income taxes	822	784	4.8%	716	14.8%
-Current	723	778	-7.1%	670	7.9%
-Deferred	99	135	-26.7%	46	115.2%
-Minimum alternative tax credit entitlement	-	(129)	-	-	-
Net profit before Exceptional Item	2,166	2,043	6.0%	1,961	10.5%
Net profit after Exceptional Item	2,107	2,043	3.1%	1,908	10.4%
Earning per share (par value ₹10)					
Before Exceptional Item (₹)	10.32	9.74	6.0%	9.33	10.6%
After Exceptional Item (₹)	10.04	9.74	3.1%	9.08	10.6%

Note: The figures of the previous periods have been regrouped / reclassified wherever necessary to conform to the current period's classification.

Key Performance Indicators

		Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
PROFIT AND LOSS ACCOUNT				
Gross margin	%	27.3%	27.3%	25.8%
Selling expenses	%	6.5%	6.6%	6.3%
General and administrative expenses	%	5.5%	5.5%	5.7%
Operating margin	%	15.3%	15.2%	13.8%
EBITDA margin	%	16.2%	16.1%	14.9%
Net margin*	%	14.3%	13.5%	12.6%
Effective tax rate*	%	27.5%	27.7%	26.7%
EPS (Basic)*	₹	10.32	9.74	9.33

*Before exceptional item

Exchange Rates

		Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Period Closing Rate	₹/\$	66.49	67.95	66.16
Average Exchange Rate		66.92	67.22	65.49

Consolidated Balance sheet

₹ Millions

	30 Sep 2016	30 Jun 2016	30 Sep 2015
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	2,102	2,102	2,102
Reserves and surplus	64,657	62,917	56,998
Employee stock options outstanding	302	201	148
	67,061	65,220	59,248
LOAN FUNDS			
Secured loans	2,662	2,984	4,020
Unsecured loans	-	-	1,323
DEFERRED TAX LIABILITY	852	811	497
	70,575	69,015	65,088
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	9,386	9,470	9,362
Accumulated depreciation	(8,154)	(8,267)	(8,143)
Net book value	1,232	1,203	1,219
Capital work-in-progress including capital advances	1,127	1,103	704
	2,359	2,306	1,923
GOODWILL	22,972	23,493	22,951
INVESTMENTS	25,997	23,456	18,144
DEFERRED TAX ASSETS	594	724	721
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	6,256	6,957	5,799
Unbilled revenues	5,051	5,938	7,078
Cash and bank balances	7,618	7,001	8,501
Interest receivable	112	86	61
Inventory	-	-	135
Loans and advances	10,242	10,235	9,978
	29,279	30,217	31,552
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	8,415	8,997	8,595
Provisions	2,211	2,184	1,608
	10,626	11,181	10,203
NET CURRENT ASSETS	18,653	19,036	21,349
	70,575	69,015	65,088

Key Performance Indicators

		Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
BALANCE SHEET				
Cash & cash equivalents	₹ Millions	33,615	30,457	26,645
Receivables	Days	67	74	72

Cash and bank balance and Investment of cash surplus

Cash and cash equivalents consists of cash & bank balances and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It also includes restricted deposits amounting to ₹ 122 million (Q1 FY17 - ₹ 122 million, Q2 FY16 - ₹ 121 million)

The Group's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds, NCDs of AAA ratings, Tax free bonds of AAA ratings and fixed maturity plans (FMP) for maturities up to 15 months. Stringent guidelines have been set for de-risking counter party exposures. The Group maintains balances both in Indian Rupee and foreign currency accounts in India and overseas. The investment philosophy of the Group in general is to ensure capital preservation and liquidity in preference to returns. Current and non-current investments have been recorded at fair market value.

Primary Segment Information

₹ Millions

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	QoQ Growth %	Quarter ended 30 Sep 2015	YoY Growth %
Segment Revenue					
Banking and Capital Market	7,538	7,376	2.2%	7,264	3.8%
Insurance	2,168	2,297	-5.6%	2,345	-7.5%
Information Technology, Communication & Entertainment	1,438	1,545	-6.9%	1,975	-27.2%
Emerging Industries	3,853	3,872	-0.5%	3,914	-1.6%
Total Revenues	14,997	15,090	-0.6%	15,498	-3.2%
Segment Profit					
Banking and Capital Market	1,854	1,759	5.4%	1,432	29.5%
Insurance	413	566	-27.0%	515	-19.8%
Information Technology, Communication & Entertainment	468	468	0.0%	619	-24.4%
Emerging Industries	1,224	1,277	-4.2%	1,391	-12.0%
Total Segment Profit	3,959	4,070	-2.7%	3,957	0.1%
Gross Margin %					
Banking and Capital Market	24.6%	23.8%	0.8%	19.7%	4.9%
Insurance	19.0%	24.6%	-5.6%	22.0%	-3.0%
Information Technology, Communication & Entertainment	32.5%	30.3%	2.2%	31.3%	1.2%
Emerging Industries	31.8%	33.0%	-1.2%	35.5%	-3.7%
Total	26.4%	27.0%	-0.6%	25.5%	0.9%

Note: Segment revenue is gross of adjustment from hedging reserve. Segment profit represents profit before exceptional item.

The figures of the previous periods have been regrouped / reclassified wherever necessary to conform to the current period's classification.

Analysis of Revenues

Revenues reported in the tables below are gross of adjustments from hedging reserve

(a) By Delivery Location

	₹ Millions		
	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Onsite	7,865 52%	7,752 51%	7,638 49%
Offshore	7,132 48%	7,338 49%	7,860 51%
Total	14,997	15,090	15,498

(b) By Project Type

	₹ Millions		
	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Time and Material	12,132 81%	12,095 80%	13,334 86%
Fixed Price	2,865 19%	2,995 20%	2,164 14%
Total	14,997	15,090	15,498

(c) By Secondary Market Segment*

	₹ Millions		
	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Direct International	10,826 72%	10,944 73%	10,302 66%
HP Business	3,579 24%	3,527 23%	4,117 27%
Others	592 4%	619 4%	1,079 7%
Total	14,997	15,090	15,498

(d) By Geography

₹ Millions

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
AMERICAS	11,632 77%	11,628 77%	11,640 75%
EMEA	1,575 11%	1,619 11%	1,443 9%
INDIA	955 6%	975 6%	1,481 10%
ROW	835 6%	868 6%	934 6%
Total	14,997	15,090	15,498

(e) By Service Type

₹ Millions

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Application Maintenance & Other Services	5,302 35%	5,405 36%	4,691 30%
Application Development	3,585 24%	3,495 23%	3,717 24%
Customer Service	268 1%	281 1%	668 3%
Service / Technical Help Desk	361 2%	316 2%	285 2%
Transaction Processing Service	1,049 7%	1,056 7%	1,045 7%
Infrastructure Management Services	2,040 14%	2,057 14%	2,320 15%
Knowledge Processes	2,348 16%	2,446 16%	2,753 18%
License Income	44 1%	34 1%	19 1%
Total	14,997	15,090	15,498

(f) Client Concentration

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Revenues from Top Client	12%	11%	9%
Revenues from Top 5 Clients	40%	39%	36%
Revenues from Top 10 Clients	54%	53%	47%
Clients Contributing more than:			
\$ 20 million Revenues	9	9	7
- Direct Channel	7	7	5
- HP Channel	2	2	2
\$ 10 million Revenues	14	15	19
- Direct Channel	12	12	15
- HP Channel	2	3	4
\$ 5 million Revenues	27	28	39
- Direct Channel	21	22	27
- HP Channel	6	6	12
\$ 1 million Revenues	98	102	100
- Direct Channel	64	65	61
- HP Channel	34	37	39

Note: Client Concentration is based on Trailing Twelve Months (TTM).

Tower Information

(a) Headcount*

(a) Headcount *

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Onsite			
- Application Services	2,357	2,340	2,370
- ITO Services / IS	281	215	167
- BPO Services	1,189	1,236	1,675
Offshore			
- Application Services	8,468	8,495	8,488
- ITO Services / IS	3,196	3,158	3,953
- BPO Services	5,561	5,682	6,159
Sales and Marketing	300	289	327
General and Administration	939	943	994
Total	22,291	22,358	24,133

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Excluding Trainees			
Onsite			
- Application Services	92%	93%	94%
- ITO Services / IS	95%	96%	98%
Offshore			
- Application Services	79%	82%	85%
- ITO Services / IS	94%	93%	93%
- BPO Services	93%	94%	80%
Blended			
- Application Services	82%	85%	87%
- ITO Services / IS	94%	94%	93%
- BPO Services	93%	94%	80%
Including Trainees			
Onsite			
- Application Services	92%	93%	94%
- ITO Services / IS	95%	96%	98%
Offshore			
- Application Services	78%	80%	83%
- ITO Services / IS	88%	91%	91%
- BPO Services	79%	81%	66%
Blended			
- Application Services	81%	83%	85%
- ITO Services / IS	89%	91%	90%
- BPO Services	79%	81%	66%

(c) Billing Rates

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
			\$/Hr
Onsite			
Application Services	77	76	72
ITO Services / IS	68	68	66
Offshore			
Application Services	22	21	21
ITO Services / IS	19	19	21
BPO Services	10	10	7

Other details

New Client wins

	Quarter ended 30 Sep 2016	Quarter ended 30 Jun 2016	Quarter ended 30 Sep 2015
Banking and Capital Market	3	1	5
Insurance	1	-	-
Information Technology, Communication & Entertainment	1	2	-
Emerging Industries	1	-	3
Total client additions	6	3	8
Direct Channel	4	3	7
HP Channel	2	-	1
Total client additions	6	3	8

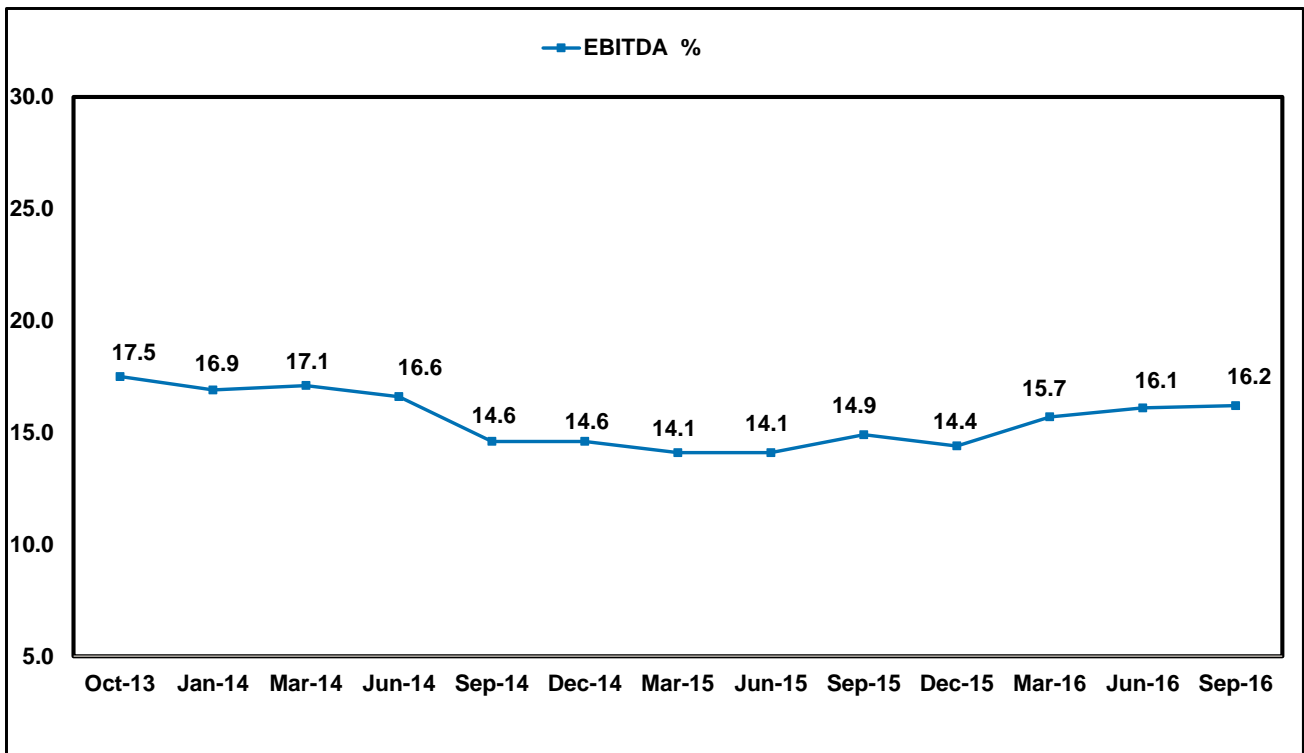
Hedge

	As at 30 Sep 2016	As at 30 Jun 2016	As at 30 Sep 2015
Hedge amount - Millions			
USD	273	287	228
AUD	11	11	5
GBP	19	16	19
EUR	10	9	14
SGD	2	3	5
CAD	6	6	5
Average hedge rate including premia	₹	₹	₹
USD	70.11	69.58	67.25
AUD	51.75	50.69	47.61
GBP	96.26	102.77	103.90
EUR	78.39	78.20	75.48
SGD	49.76	50.35	47.21
CAD	53.25	53.34	52.28

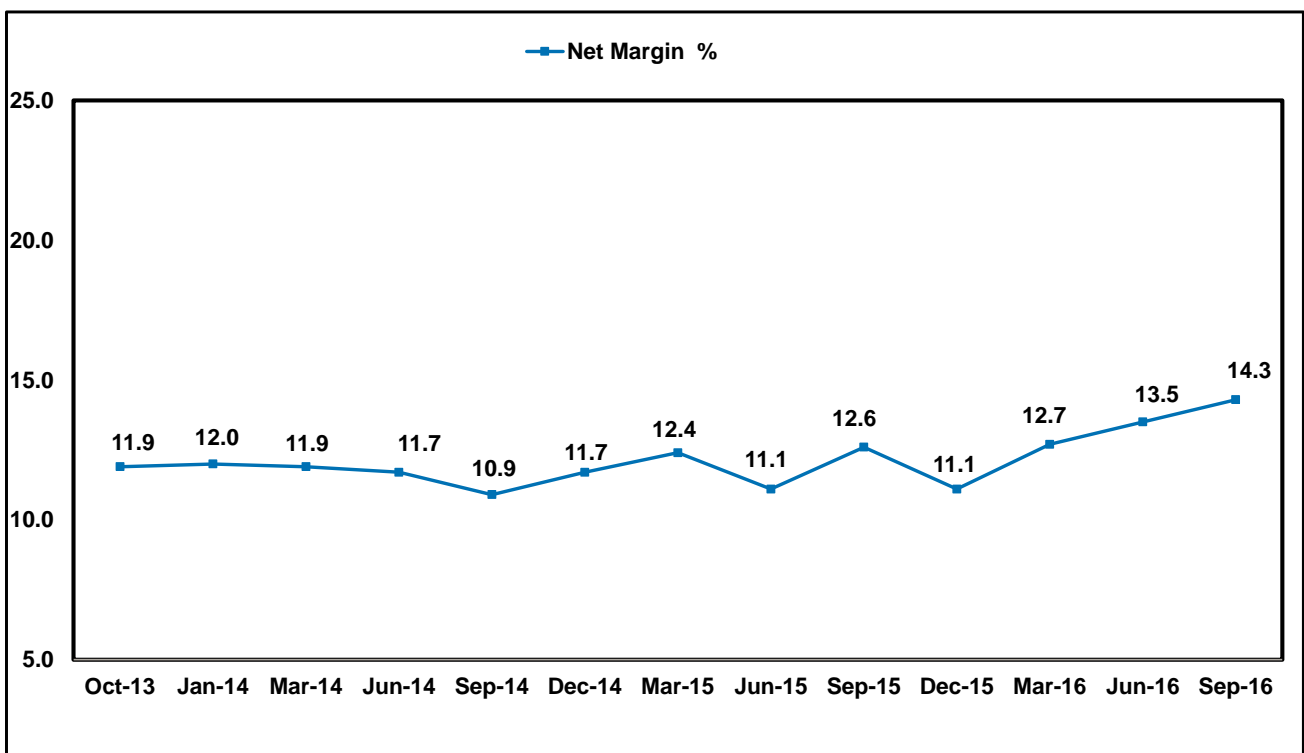
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the exposures on our results by purchasing forward foreign exchange contracts. These contracts are entered into in a systematic manner over the lifecycle of the exposure in accordance with the FX Risk Management Policy as laid down by the Treasury Committee of the Board of Directors. In Q1-14, the hedge policy was amended to cap the maturity of the hedges to upto 1 year. The outstanding hedges have maturities of upto 12 months. We use these instruments as hedges and not for speculative purposes.

TRENDS

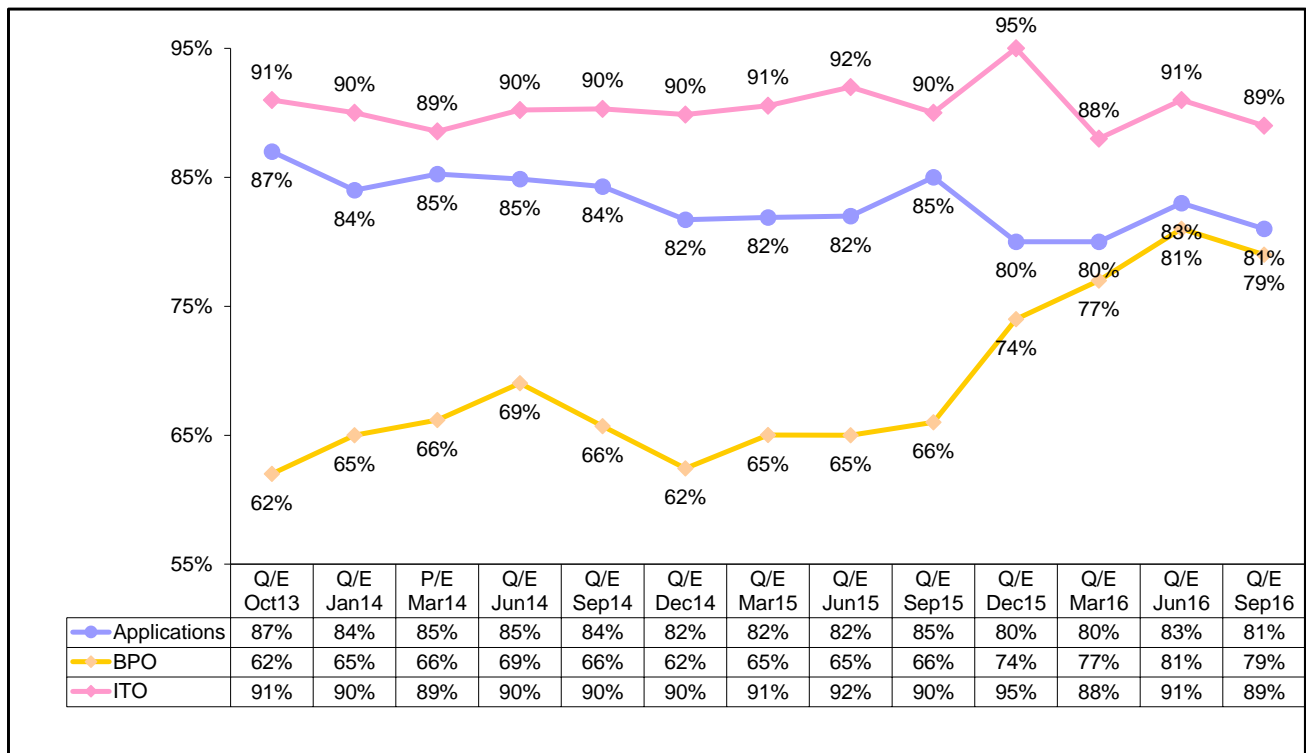
EBITDA



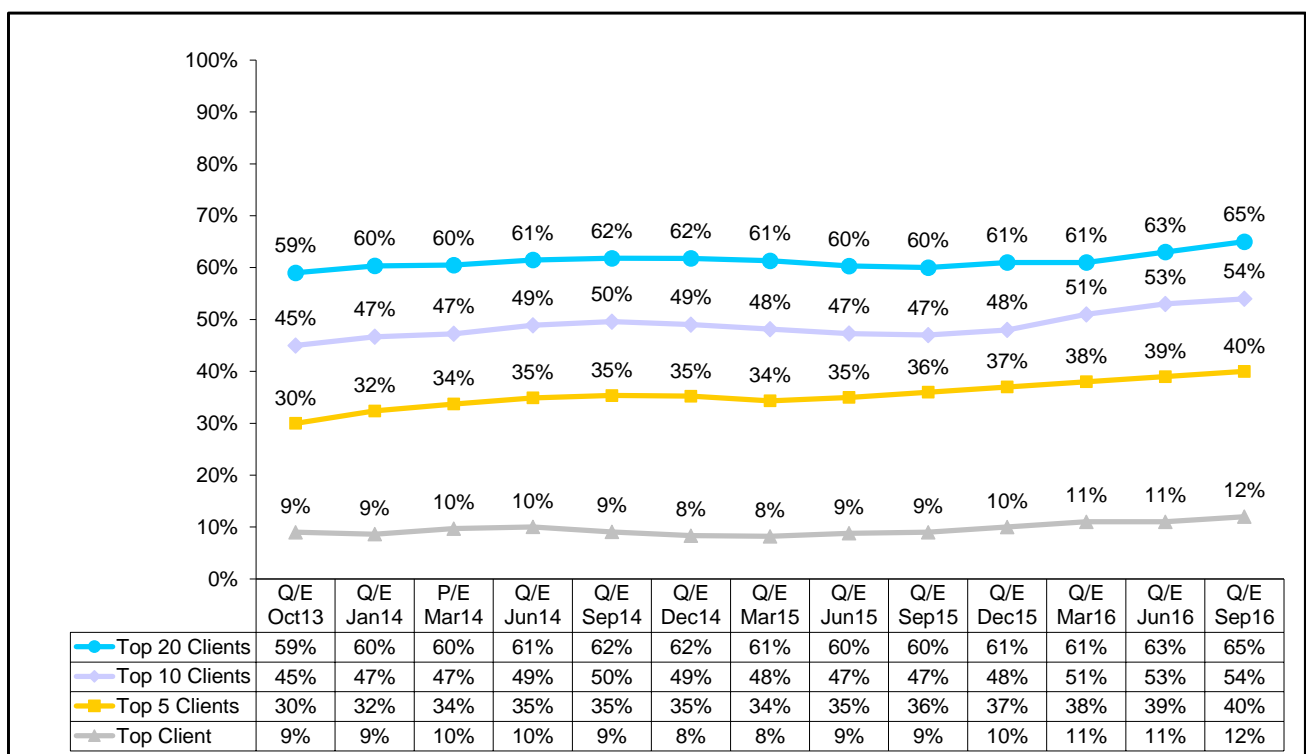
Net Margins



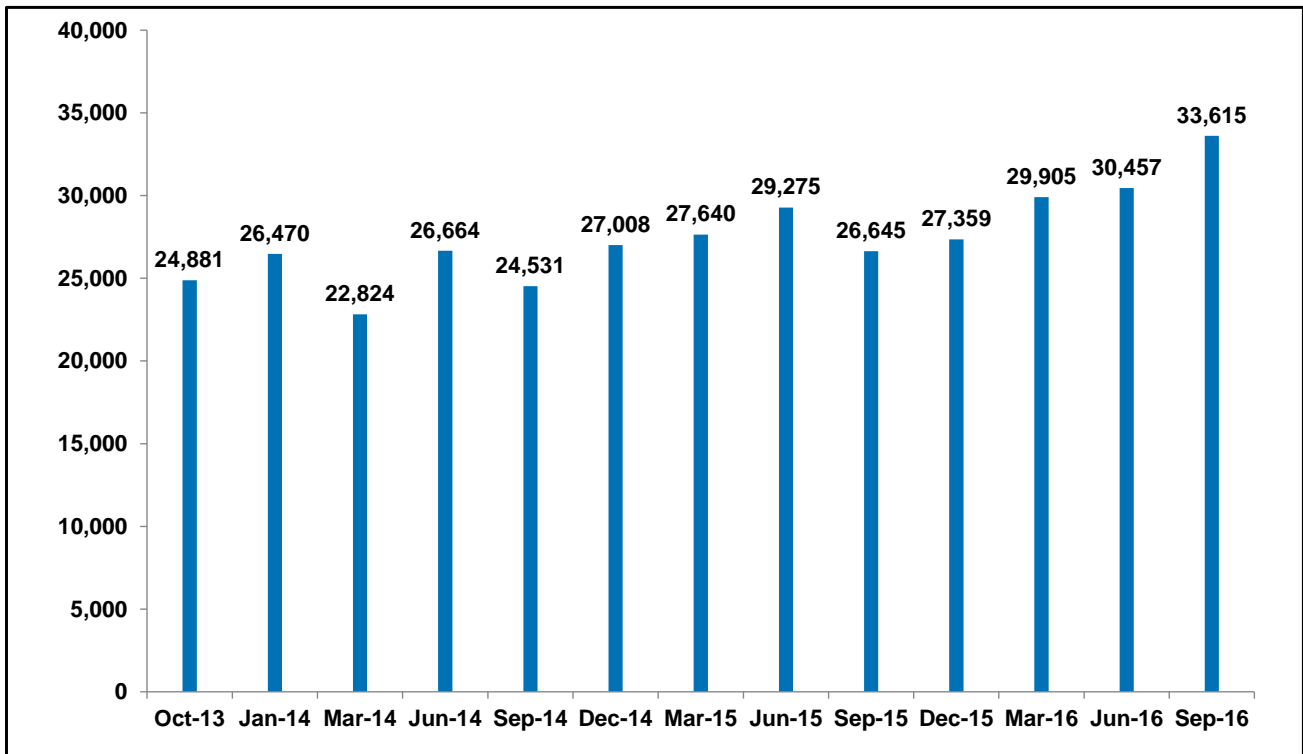
Utilization



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

