



Group Financial Overview and Trends for the Quarter ending 30 Sep 2017

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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

- Overall Net Revenue grew 4.5% QoQ; Net of rupee depreciation QoQ growth was 3.7%. Overall Net revenue grew 5.7% YoY and net of rupee appreciation growth was 8.9%.
- Direct Core revenue grew 5.2% QoQ. Net of rupee depreciation QoQ growth was 4.3%.
- DXC/HP revenue grew 6.6% QoQ. Net of rupee depreciation, QoQ growth was 5.7%.
- Won deals with TCV of USD 123 million in Direct International during Q2 FY18.
- Operating profit grew 9.3% QoQ. Operating margin improved 60bps in Q2 FY18 to 14.4%.
- EPS grew 12.6% QoQ in Q2 FY18.
- Strong net operating cash generation of ₹ 2,255 million during the quarter.

2. Revenue

a. Direct International

- Direct International revenue grew 5.5% QoQ. Net of rupee depreciation QoQ growth was 4.7%. Revenue grew 1.6% YoY. Net of rupee appreciation, YoY growth was 4.9%.
- Direct Core revenue which is 78% (Q2 FY18) of Direct International revenue grew 5.2% QoQ. Net of rupee depreciation, QoQ growth was 4.3%. Revenue grew 7.2% YoY. Net of rupee appreciation, YoY growth was 10.6%.
- Won deals with TCV of USD 123 million in Q2 FY18 with 72% of the deal wins in the focus areas of Digital, NextGen and GRC Services.

b. DXC/HP Business

Revenue grew 6.6% QoQ. Net of rupee depreciation QoQ growth was 5.7%. Revenue grew 14.3% YoY. Net of rupee appreciation, YoY growth was 17.7%. DXC/HP business contributed 26% of the gross revenue for the quarter.

3. Financial indicators

a. Revenues

Net revenue grew 4.5% QoQ to ₹16,047 million in Q2 FY18. Net of rupee depreciation, revenue grew 3.7% QoQ driven by growth in Direct Core and DXC/HP.

b. Gross Profit

Gross profit increased 5.1% QoQ in Q2 FY18 to ₹4,258 million. Gross margin improved 10 bps QoQ to 26.5% driven by revenue growth and operating efficiencies despite headwinds of lower hedge gains.

c. Operating Profit (EBIT)

Operating profit increased 9.3% QoQ & 2.5% YoY to ₹ 2,312 million in Q2 FY18. Operating margin improved 60 bps QoQ to 14.4 % in Q2'18 driven mainly by operational efficiencies.

d. Net Profit

The Other Income declined QoQ and YoY on account of the buy-back program concluded in Q1 FY18 and the dividend payout in Q2 FY18; impacting the growth in Net Profit and Net Margin. The Net profit grew 5.6% QoQ to ₹ 1,977 million in Q2 FY18. Net profit (after exceptional item) declined 4.4% YoY. The Net Margin improved 10 bps QoQ in Q2 FY18 though it declined 170 bps YoY.

Cash Management

Cash and cash equivalents decreased by ₹ 76 million during the quarter to ₹ 21,085 million (USD 322M). Adjusting for dividend pay-out, unsecured loan and non-cash adjustments to Cash and Cash Equivalents, net cash generated from operations during the quarter was ₹ 2,255 million.

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	QoQ Growth %	Quarter ended 30 Sep 2016	YoY Growth %
Gross Revenues	15,650	14,876	5.2%	14,997	4.4%
Adjustment from Hedging Reserve	397	484	-17.9%	179	121.8%
Net Revenues	16,047	15,360	4.5%	15,176	5.7%
<i>Cost of revenues</i>	<i>11,789</i>	<i>11,310</i>	<i>4.2%</i>	<i>11,039</i>	<i>6.8%</i>
Manpower cost	9,683	9,201	5.2%	8,782	10.3%
Rent	524	522	0.3%	532	-1.5%
Depreciation and Amortization	150	148	1.1%	123	22.4%
Others	1,432	1,439	-0.5%	1,602	-10.6%
Gross profit	4,258	4,050	5.1%	4,137	2.9%
<i>Selling expenses</i>	<i>1,111</i>	<i>1,105</i>	<i>0.6%</i>	<i>1,041</i>	<i>6.7%</i>
Manpower cost	818	835	-2.0%	739	10.7%
Travel	98	131	-25.1%	115	-14.8%
Depreciation and Amortization	4	4	8.5%	61	-93.5%
Others	191	135	41.3%	126	51.4%
<i>General and administrative expenses</i>	<i>864</i>	<i>834</i>	<i>3.7%</i>	<i>840</i>	<i>2.8%</i>
Manpower cost	509	487	4.5%	550	-7.5%
Rent	31	29	8.6%	27	13.4%
Depreciation and Amortization	27	29	-7.2%	22	22.1%
Others	297	289	2.8%	241	23.4%
<i>Provision for doubtful debts</i>	<i>(29)</i>	<i>(3)</i>	<i>796.5%</i>	<i>-</i>	<i>0.0%</i>
Operating profit	2,312	2,114	9.3%	2,256	2.5%
Foreign exchange gain, net	26	16	67.0%	64	-59.4%
Other income, net	349	453	-23.0%	648	-46.1%
Interest expenses	(37)	(21)	79.9%	(46)	-19.6%
Profit before taxation before Exceptional Item	2,650	2,562	3.4%	2,922	-9.3%
Exceptional Item (net of taxes)	-	-	-	58	-
Profit before taxation after Exceptional Item	2,650	2,562	3.4%	2,864	-7.5%
Income taxes	673	690	-2.5%	796	-15.4%
-Current	679	727	-6.6%	724	-6.2%
-Deferred	(6)	(37)	-83.6%	72	-108.3%
-Minimum alternative tax credit entitlement	-	-	-	-	-
Net profit before Exceptional Item	1,977	1,872	5.6%	2,126	-7.0%
Net profit after Exceptional Item	1,977	1,872	5.6%	2,068	-4.4%
Earning per share (par value ₹10)					
Before Exceptional Item (₹)	10.24	9.09	12.6%	10.13	1.0%
After Exceptional Item (₹)	10.24	9.09	12.6%	9.85	3.9%

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 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
PROFIT AND LOSS ACCOUNT				
Gross margin	%	26.5%	26.4%	27.3%
Selling expenses	%	6.9%	7.2%	6.9%
General and administrative expenses	%	5.4%	5.4%	5.5%
Operating margin	%	14.4%	13.8%	14.9%
EBITDA margin	%	15.5%	14.9%	16.2%
Net margin*	%	12.3%	12.2%	14.0%
Effective tax rate*	%	25.4%	26.9%	27.2%
EPS (Basic)*	₹	10.24	9.09	10.13

*Before exceptional item

Exchange Rates

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Period Closing Rate	65.45	64.53	66.49
Average Exchange Rate	64.58	64.42	66.92

Consolidated Balance sheet

₹ Millions

	30 Sep 2017	30 Jun 2017	30 Sep 2016
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1,932	1,931	2,102
Reserves and surplus	48,049	49,951	60,399
Employee stock options outstanding	237	233	302
	50,218	52,115	62,803
LOAN FUNDS			
Secured loans	2,618	2,581	2,662
Unsecured loans	1,309	-	-
DEFERRED TAX LIABILITY	74	106	59
	54,219	54,802	65,524
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	4,243	4,233	2,824
Accumulated depreciation	(2,163)	(2,044)	(1,440)
Net book value	2,080	2,189	1,384
Capital work-in-progress including capital advances	381	382	1,127
	2,461	2,571	2,511
GOODWILL	14,187	13,964	14,514
INVESTMENTS	16,656	15,766	25,997
DEFERRED TAX ASSETS	3,791	3,564	3,848
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	7,414	7,763	6,256
Unbilled revenues	4,940	4,213	5,051
Cash and bank balances	4,429	5,396	7,618
Interest receivable	103	61	112
Inventory	-	-	-
Loans and advances	10,721	11,488	10,242
	27,607	28,921	29,279
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	8,242	7,777	8,415
Provisions	2,241	2,207	2,210
	10,483	9,984	10,625
NET CURRENT ASSETS	17,124	18,937	18,654
	54,219	54,802	65,524

Key Performance Indicators

		Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
BALANCE SHEET				
Cash & cash equivalents	₹ Millions	21,085	21,162	33,615
Receivables	Days	69	70	67

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 ₹ 133 million (Q1 FY18 - ₹ 132 million, Q2 FY17 - ₹ 122 million)

The Group's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds 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. All current investments have been recorded at lower of Cost or net realisable value and non-current investments have been recorded at Cost.

Primary Segment Information

₹ Millions

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	QoQ Growth %	Quarter ended 30 Sep 2016	YoY Growth %
Segment Revenue					
Banking and Capital Market	7,603	7,302	4.1%	7,538	0.9%
Insurance	2,024	2,009	0.7%	2,168	-6.6%
Information Technology, Communication & Entertainment	2,206	1,855	18.9%	1,438	53.4%
Emerging Industries	3,817	3,710	2.9%	3,853	-0.9%
Total Revenues	15,650	14,876	5.2%	14,997	4.4%
Segment Profit					
Banking and Capital Market	1,840	1,658	11.0%	1,854	-0.7%
Insurance	455	439	3.5%	413	10.3%
Information Technology, Communication & Entertainment	401	332	20.9%	468	-14.4%
Emerging Industries	1,164	1,137	2.4%	1,224	-4.9%
Total Segment Profit	3,860	3,566	8.2%	3,959	-2.5%
Gross Margin %					
Banking and Capital Market	24.2%	22.7%	1.5%	24.6%	-0.4%
Insurance	22.5%	21.9%	0.6%	19.0%	3.4%
Information Technology, Communication & Entertainment	18.2%	17.9%	0.3%	32.6%	-14.4%
Emerging Industries	30.5%	30.7%	-0.2%	31.8%	-1.3%
Total	24.7%	24.0%	0.7%	26.4%	-1.7%

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 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Onsite	8,645 55%	8,034 54%	7,865 52%
Offshore	7,005 45%	6,842 46%	7,132 48%
Total	15,650	14,876	14,997

(b) By Project Type

	₹ Millions		
	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Time and Material	12,114 77%	11,703 79%	12,132 81%
Fixed Price	3,536 23%	3,173 21%	2,865 19%
Total	15,650	14,876	14,997

(c) By Secondary Market Segment

	₹ Millions		
	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Direct International	11,002 70%	10,424 70%	10,826 72%
HP/ DXC Business	4,090 26%	3,839 26%	3,579 24%
Others	558 4%	613 4%	592 4%
Total	15,650	14,876	14,997

(d) By Geography

₹ Millions

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
AMERICAS	12,534 80%	11,825 80%	11,632 77%
EMEA	1,482 10%	1,457 10%	1,575 11%
INDIA	1,007 6%	965 6%	955 6%
ROW	627 4%	629 4%	835 6%
Total	15,650	14,876	14,997

(e) By Service Type

₹ Millions

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Application Maintenance & Other Services	5,415 35%	5,296 36%	5,302 35%
Application Development	3,754 24%	3,668 25%	3,585 24%
Customer Service	262 2%	222 1%	268 1%
Service / Technical Help Desk	1,124 7%	800 5%	361 2%
Transaction Processing Service	1,062 7%	1,039 7%	1,049 7%
Infrastructure Management Services	2,104 13%	2,047 14%	2,040 14%
Knowledge Processes	1,909 12%	1,789 12%	2,348 16%
License Income	20 0%	15 0%	44 1%
Total	15,650	14,876	14,997

(f) Client Concentration

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Revenues from Top Client	12%	12%	12%
Revenues from Top 5 Clients	40%	40%	40%
Revenues from Top 10 Clients	54%	55%	54%
Clients Contributing more than:			
\$ 20 million Revenues	7	7	9
- Direct Channel	6	6	7
- HP/DXC Channel	1	1	2
\$ 10 million Revenues	15	15	14
- Direct Channel	12	13	12
- HP/DXC Channel	3	2	2
\$ 5 million Revenues	37	39	27
- Direct Channel	24	26	21
- HP/DXC Channel	13	13	6
\$ 1 million Revenues	90	90	98
- Direct Channel	59	58	64
- HP/DXC Channel	31	32	34

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

Tower Information

(a) Headcount*

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Onsite			
- Application Services	2,363	2,373	2,357
- ITO Services / IS	676	277	281
- BPO Services	998	1,044	1,189
Offshore			
- Application Services	8,486	8,668	8,468
- ITO Services / IS	3,011	3,055	3,196
- BPO Services	5,360	5,191	5,561
Sales and Marketing	330	346	300
General and Administration	932	943	939
Total	22,156	21,897	22,291

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Excluding Trainees			
Onsite			
- Application Services	92%	91%	92%
- ITO Services / IS	96%	91%	95%
Offshore			
- Application Services	80%	78%	79%
- ITO Services / IS	88%	89%	94%
- BPO Services	90%	92%	93%
Blended			
- Application Services	83%	81%	82%
- ITO Services / IS	89%	89%	94%
- BPO Services	90%	92%	93%
Including Trainees			
Onsite			
- Application Services	92%	91%	92%
- ITO Services / IS	96%	91%	95%
Offshore			
- Application Services	78%	76%	78%
- ITO Services / IS	88%	88%	88%
- BPO Services	79%	81%	79%
Blended			
- Application Services	81%	79%	81%
- ITO Services / IS	89%	88%	89%
- BPO Services	79%	81%	79%

(c) Billing Rates

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
			\$/Hr
Onsite			
Application Services	83	80	77
ITO Services / IS	77	74	68
Offshore			
Application Services	21	21	22
ITO Services / IS	19	19	19
BPO Services	11	11	10

Other details

New Client wins

	Quarter ended 30 Sep 2017	Quarter ended 30 Jun 2017	Quarter ended 30 Sep 2016
Banking and Capital Market	-	4	3
Insurance	-	2	1
Information Technology, Communication & Entertainment	1	2	1
Emerging Industries	4	4	1
Total client additions	5	12	6
Direct Channel	3	7	4
HP/DXC Channel	2	5	2
Total client additions	5	12	6

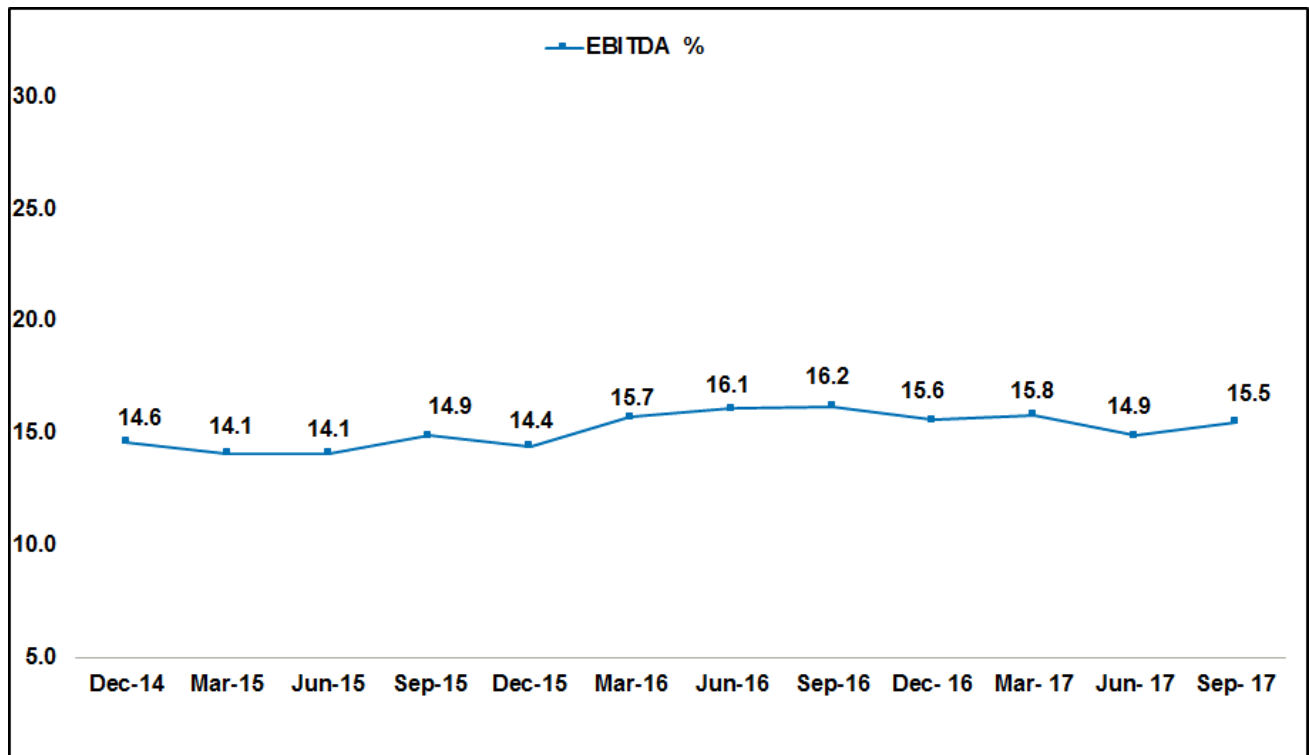
Hedge

	As at 30 Sep 2017	As at 30 Jun 2017	As at 30 Sep 2016
Hedge amount - Millions			
USD	417	371	273
AUD	13	12	11
GBP	19	18	19
EUR	16	13	10
SGD	(0)	(0)	2
CAD	8	8	6
Average hedge rate including premia	₹	₹	₹
USD	67.84	68.30	70.11
AUD	51.91	51.16	51.75
GBP	88.29	88.65	96.26
EUR	77.50	76.15	78.39
SGD	48.82	46.87	49.76
CAD	52.68	51.44	53.25

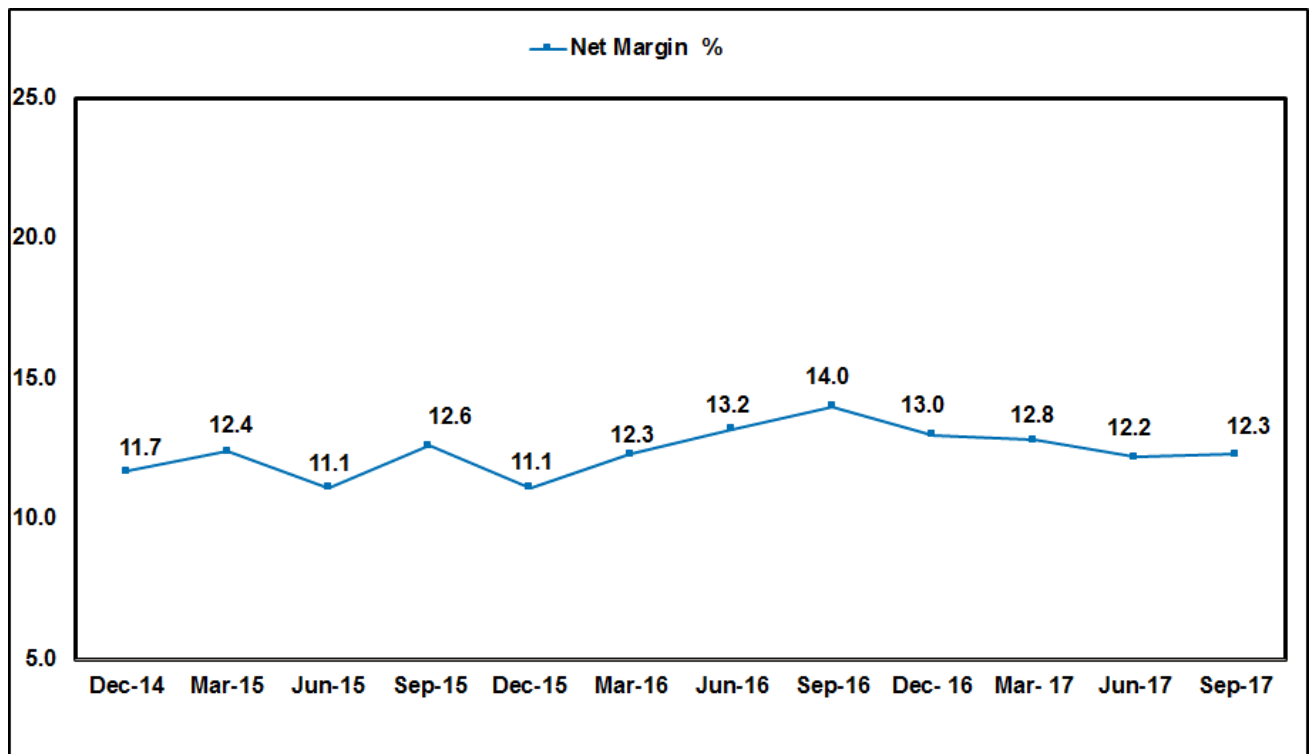
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the 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

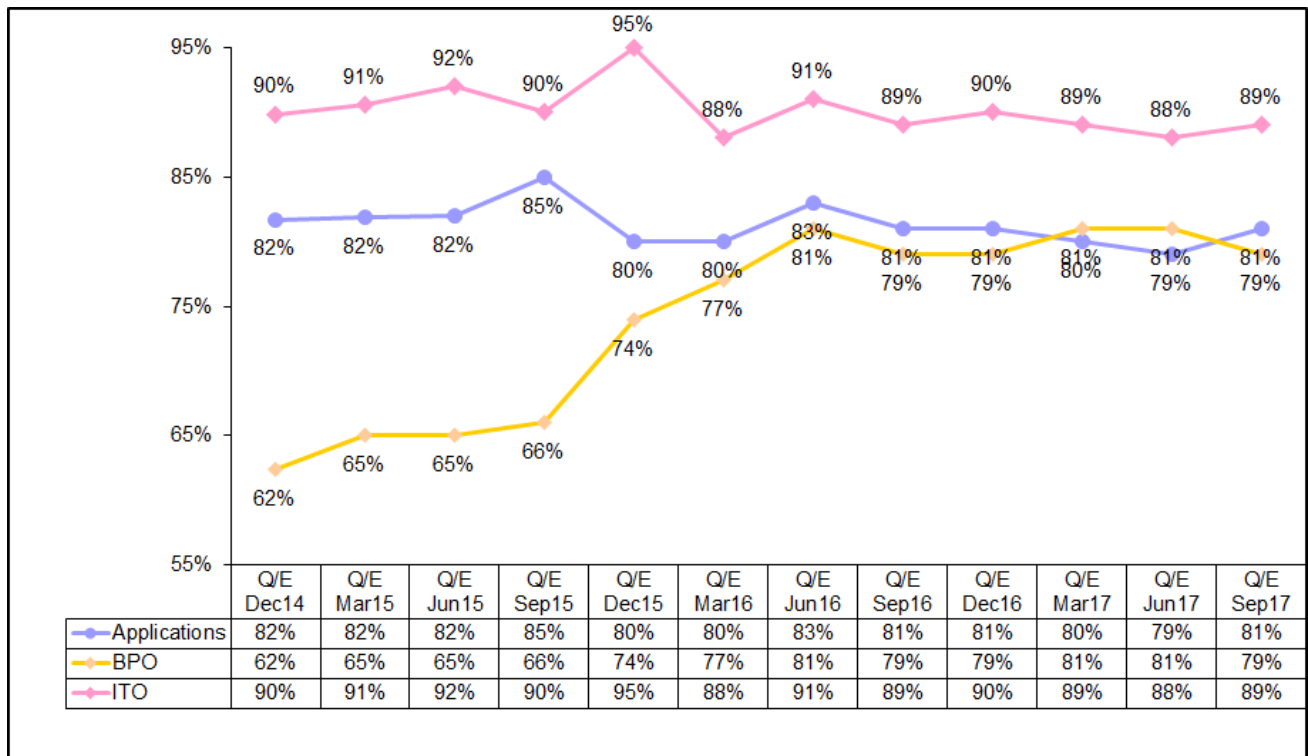
EBITDA



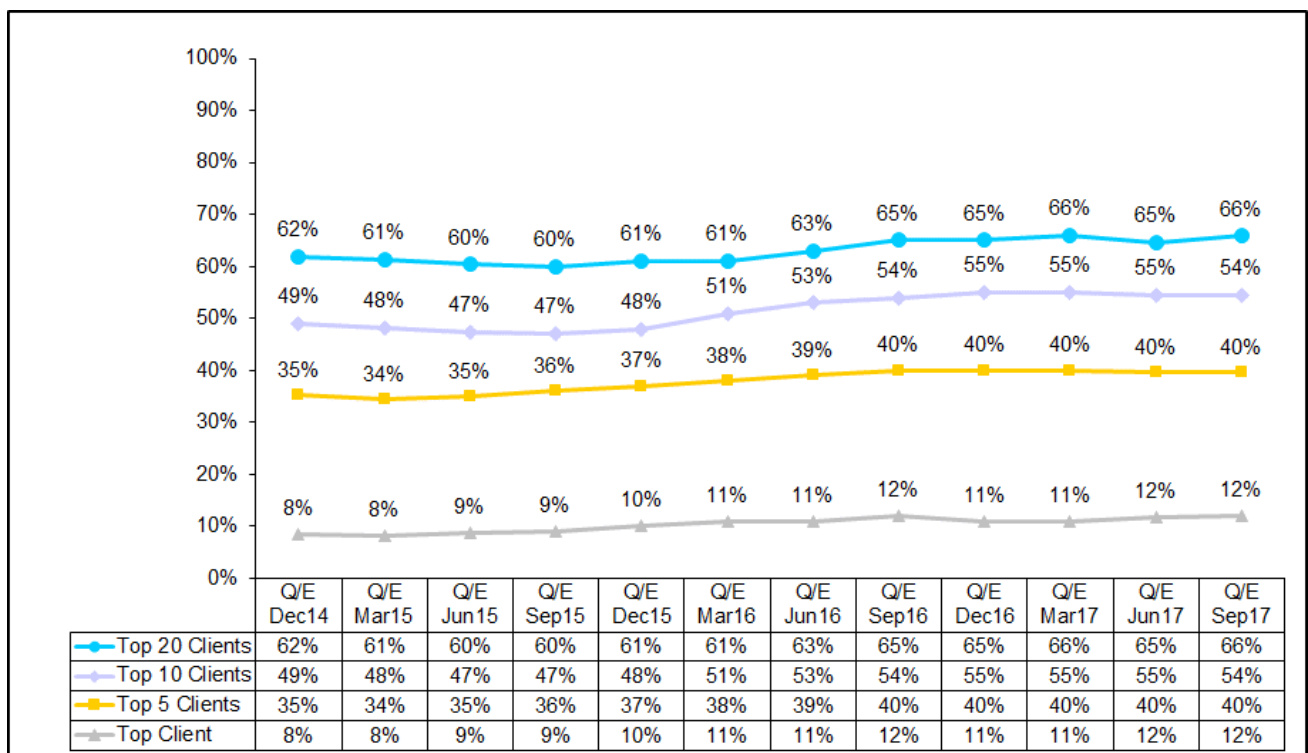
Net Margins



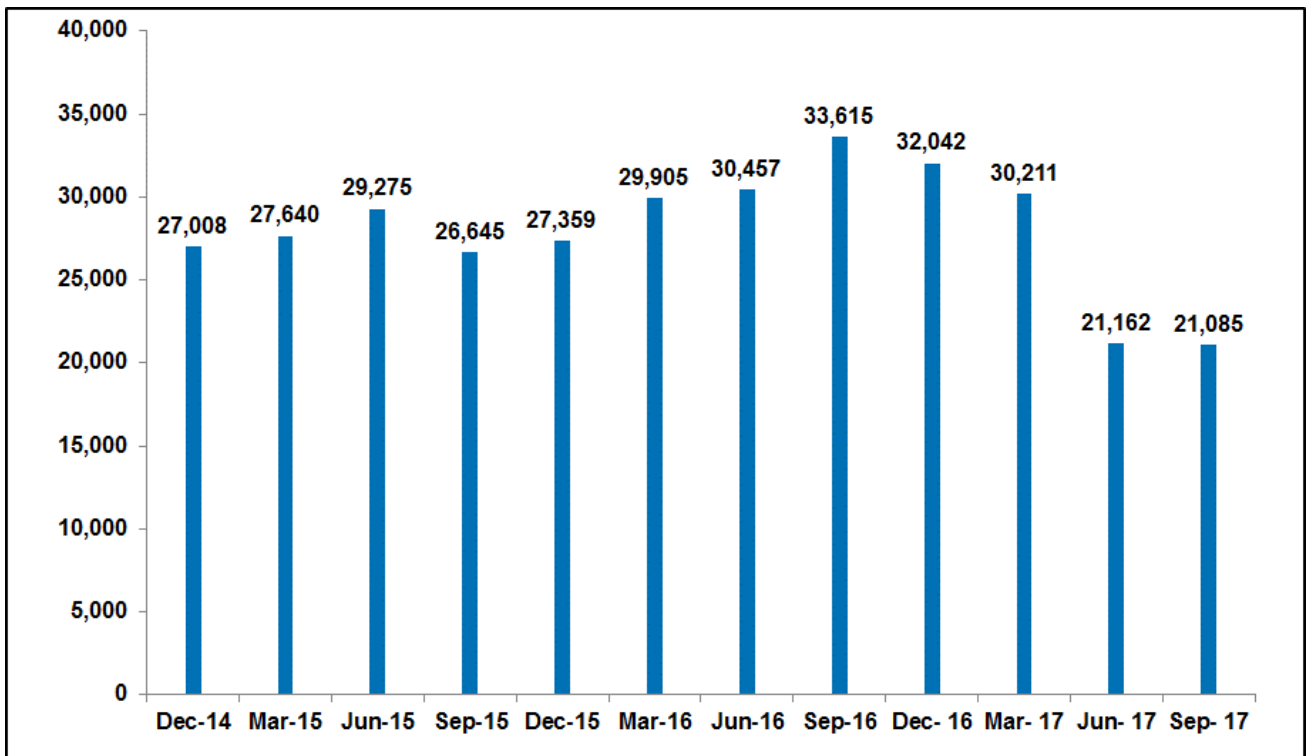
Utilization



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

