



Group Financial Overview and Trends for the Quarter ending 31 Dec 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 3.5% QoQ & 8.1% YoY on reported basis and 3.7% QoQ & 12.2% YoY in Constant Currency.
- Direct Core revenue grew 3.4% QoQ on a reported basis and 3.5% QoQ in Constant Currency
- DXC/HP revenue grew 3.1% QoQ on a reported basis and 3.6% QoQ in Constant Currency
- Deals with TCV of USD 130 million won in Direct International during Q3 FY18.
- Operating margin improved 110bps QoQ & 120 bps YoY in Q3 FY18 to 15.5%.
- Net profit and EPS grew 8.7% QoQ in Q3 FY18

2. Revenue

a. Direct International

- Direct International revenue grew 3.6% QoQ & 5.5% YoY on a reported basis. The growth was 3.7% QoQ and 9.6% YoY in Constant Currency.
- Direct Core revenue which is 78% of Direct International revenue in Q3 FY18 grew 3.4% QoQ & 9.5% YoY on a reported basis. In Constant Currency, the growth was 3.5% QoQ & 13.8% YoY. The growth was marginally impacted by seasonal softness.
- Won deals with TCV of USD 130 million in Q3 FY18 with 83% of the deal wins in the focus areas of Digital, NextGen and GRC Services.

b. DXC/HP Business

Revenue grew 3.1% QoQ & 15.8% YoY on a reported basis. Revenue grew 3.6% QoQ & 20.5% YoY in Constant Currency. DXC/HP business contributed 26% of the gross revenue for the quarter.

3. Financial indicators

a. Revenues

Net revenue grew 3.5% QoQ to ₹16,607 million in Q3 FY18. Net of rupee appreciation, revenue grew 3.7% QoQ driven by growth in Direct Core and DXC/HP business.

b. Gross Profit

Gross margin improved 20 bps QoQ to 26.7% driven by revenue growth and operating efficiencies despite headwinds from annual wage hike and seasonal softness. Gross profit increased 4.2% QoQ in Q3 FY18 to ₹4,435 million.

c. Operating Profit (EBIT)

Despite headwinds of annual wage hike and seasonal softness, Operating margin improved 110 bps QoQ to 15.5 % in Q3 FY18 driven by costs optimisation. Operating Margin for the quarter includes favourable impact of a onetime settlement impacting by 40 bps. Operating profit increased 11.0% QoQ to ₹ 2,566 million in Q3 FY18.

d. Net Profit

The Net profit grew 8.7% QoQ to ₹ 2,150 million in Q3 FY18 driven by operating margin improvement. Net profit grew 7.3% YoY. Net Margin improved 60 bps QoQ in Q3 FY18.

4. Cash Management

Cash and cash equivalents increased by ₹ 2,068 million during the quarter to ₹ 23,153 million (USD 359M).

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	QoQ Growth %	Quarter ended 31 Dec 2016	YoY Growth %
Gross Revenues	16,217	15,650	3.6%	15,154	7.0%
Adjustment from Hedging Reserve	390	397	-1.8%	207	88.4%
Net Revenues	16,607	16,047	3.5%	15,361	8.1%
<i>Cost of revenues</i>	<i>12,172</i>	<i>11,789</i>	<i>3.2%</i>	<i>11,206</i>	<i>8.6%</i>
Manpower cost	9,818	9,683	1.4%	9,013	8.9%
Rent	530	524	1.1%	541	-2.0%
Depreciation and Amortization	144	150	-4.0%	115	25.2%
Others	1,680	1,432	17.3%	1,537	9.3%
Gross profit	4,435	4,258	4.2%	4,155	6.7%
<i>Selling expenses</i>	<i>1,010</i>	<i>1,111</i>	<i>-9.1%</i>	<i>1,116</i>	<i>-9.5%</i>
Manpower cost	795	818	-2.8%	773	2.8%
Travel	96	98	-2.0%	136	-29.4%
Depreciation and Amortization	3	4	-25.0%	58	-94.8%
Others	116	191	-39.3%	149	-22.1%
<i>General and administrative expenses</i>	<i>860</i>	<i>864</i>	<i>-0.5%</i>	<i>848</i>	<i>1.4%</i>
Manpower cost	518	509	1.8%	519	-0.2%
Rent	29	31	-6.5%	28	3.6%
Depreciation and Amortization	29	27	7.4%	24	20.8%
Others	284	297	-4.4%	277	2.5%
<i>Provision for doubtful debts</i>	<i>(1)</i>	<i>(29)</i>	<i>-96.6%</i>	<i>(8)</i>	<i>0.0%</i>
Operating profit	2,566	2,312	11.0%	2,199	16.7%
Foreign exchange gain, net	42	26	59.1%	101	-58.4%
Other income, net	312	349	-10.6%	516	-39.5%
Interest expenses	(29)	(37)	-22.5%	(23)	26.1%
Profit before taxation before Exceptional Item	2,891	2,650	9.1%	2,793	3.5%
Exceptional Item (net of taxes)	-	-	-	-	-
Profit before taxation after Exceptional Item	2,891	2,650	9.1%	2,793	3.5%
Income taxes	741	673	10.1%	789	-6.1%
-Current	750	679	10.5%	766	-2.1%
-Deferred	(9)	(6)	49.3%	23	-139.3%
-Minimum alternative tax credit entitlement	-	-	-	-	-
Net profit before Exceptional Item	2,150	1,977	8.7%	2,004	7.3%
Net profit after Exceptional Item	2,150	1,977	8.7%	2,004	7.3%
Earning per share (par value ₹10)					
Before Exceptional Item (₹)	11.13	10.24	8.7%	9.54	16.7%
After Exceptional Item (₹)	11.13	10.24	8.7%	9.54	16.7%

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 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
PROFIT AND LOSS ACCOUNT				
Gross margin	%	26.7%	26.5%	27.0%
Selling expenses	%	6.1%	6.9%	7.3%
General and administrative expenses	%	5.2%	5.4%	5.5%
Operating margin	%	15.5%	14.4%	14.3%
EBITDA margin	%	16.5%	15.5%	15.6%
Net margin*	%	12.9%	12.3%	13.0%
Effective tax rate*	%	25.6%	25.4%	28.3%
EPS (Basic)*	₹	11.13	10.24	9.54

*Before exceptional item

Exchange Rates

		Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Period Closing Rate		64.51	65.45	68.07
Average Exchange Rate		64.45	64.58	67.80

Consolidated Balance sheet

₹ Millions

	31 Dec 2017	30 Sep 2017	31 Dec 2016
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1,932	1,932	2,104
Reserves and surplus	50,164	48,049	57,699
Employee stock options outstanding	277	237	239
	52,373	50,218	60,042
LOAN FUNDS			
Secured loans	2,563	2,618	2,726
Unsecured loans	1,282	1,309	885
DEFERRED TAX LIABILITY	32	74	51
	56,250	54,219	63,704
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	4,227	4,243	3,128
Accumulated depreciation	(2,302)	(2,163)	(1,803)
Net book value	1,925	2,080	1,325
Capital work-in-progress including capital advances	382	381	1,214
	2,307	2,461	2,539
GOODWILL	16,754	17,114	17,877
INVESTMENTS	18,016	16,656	24,723
DEFERRED TAX ASSETS	612	864	877
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	7,868	7,414	5,669
Unbilled revenues	5,243	4,940	4,938
Cash and bank balances	5,137	4,429	7,319
Interest receivable	112	103	111
Inventory	-	-	-
Loans and advances	10,928	10,721	9,874
	29,288	27,607	27,911
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	8,764	8,242	8,216
Provisions	1,963	2,241	2,007
	10,727	10,483	10,223
NET CURRENT ASSETS	18,561	17,124	17,688
	56,250	54,219	63,704

Key Performance Indicators

		Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
BALANCE SHEET				
Cash & cash equivalents	₹ Millions	23,153	21,085	32,042
Receivables	Days	72	69	60

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 (Q2 FY18 - ₹ 133 million, Q3 FY16 - ₹ 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 31 Dec 2017	Quarter ended 30 Sep 2017	QoQ Growth %	Quarter ended 31 Dec 2016	YoY Growth %
Segment Revenue					
Banking and Capital Market	7,732	7,603	1.7%	7,420	4.2%
Insurance	2,079	2,024	2.7%	2,275	-8.6%
Information Technology, Communication & Entertainment	2,334	2,206	5.8%	1,474	58.3%
Emerging Industries	4,072	3,817	6.7%	3,986	2.2%
Total Revenues	16,217	15,650	3.6%	15,154	7.0%
Segment Profit					
Banking and Capital Market	1,776	1,840	-3.5%	1,651	7.6%
Insurance	541	455	18.8%	595	-9.1%
Information Technology, Communication & Entertainment	486	401	21.3%	468	3.8%
Emerging Industries	1,243	1,164	6.8%	1,235	0.7%
Total Segment Profit	4,046	3,860	4.8%	3,948	2.5%
Gross Margin %					
Banking and Capital Market	23.0%	24.2%	-1.2%	22.2%	0.7%
Insurance	26.0%	22.5%	3.5%	26.2%	-0.1%
Information Technology, Communication & Entertainment	20.8%	18.2%	2.7%	31.8%	-10.9%
Emerging Industries	30.5%	30.5%	0.0%	31.0%	-0.4%
Total	24.9%	24.7%	0.3%	26.1%	-1.1%

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 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Onsite	9,022 56%	8,645 55%	7,761 51%
Offshore	7,195 44%	7,005 45%	7,393 49%
Total	16,217	15,650	15,154

(b) By Project Type

	₹ Millions		
	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Time and Material	12,195 75%	12,114 77%	12,030 79%
Fixed Price	4,022 25%	3,536 23%	3,124 21%
Total	16,217	15,650	15,154

(c) By Secondary Market Segment

	₹ Millions		
	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Direct International	11,399 70%	11,002 70%	10,810 71%
HP/ DXC Business	4,219 26%	4,090 26%	3,644 24%
Others	599 4%	558 4%	700 5%
Total	16,217	15,650	15,154

(d) By Geography

₹ Millions

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
AMERICAS	13,012 80%	12,534 80%	11,816 78%
EMEA	1,586 10%	1,482 10%	1,462 10%
INDIA	1,032 6%	1,007 6%	1,099 7%
ROW	587 4%	627 4%	777 5%
Total	16,217	15,650	15,154

(e) By Service Type

₹ Millions

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Application Maintenance & Other Services	5,364 33%	5,415 35%	5,602 37%
Application Development	4,264 26%	3,754 24%	3,506 23%
Customer Service	232 1%	262 2%	289 2%
Service / Technical Help Desk	1,232 8%	1,124 7%	344 2%
Transaction Processing Service	1,137 7%	1,062 7%	938 6%
Infrastructure Management Services	2,135 13%	2,104 13%	2,148 14%
Knowledge Processes	1,758 11%	1,909 12%	2,270 15%
License Income	95 1%	20 0%	58 1%
Total	16,217	15,650	15,154

(f) Client Concentration

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Revenues from Top Client	12%	12%	11%
Revenues from Top 5 Clients	39%	40%	40%
Revenues from Top 10 Clients	55%	54%	55%
Clients Contributing more than:			
\$ 20 million Revenues	8	7	8
- Direct Channel	6	6	7
- HP/DXC Channel	2	1	1
\$ 10 million Revenues	17	15	14
- Direct Channel	13	12	12
- HP/DXC Channel	4	3	2
\$ 5 million Revenues	38	37	30
- Direct Channel	25	24	24
- HP/DXC Channel	13	13	6
\$ 1 million Revenues	88	90	92
- Direct Channel	57	59	59
- HP/DXC Channel	31	31	33

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

Tower Information

(a) Headcount*

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Onsite			
- Application Services	2,392	2,363	2,299
- ITO Services / IS	1,106	676	251
- BPO Services	981	998	1,127
Offshore			
- Application Services	8,228	8,486	8,615
- ITO Services / IS	3,062	3,011	3,136
- BPO Services	5,304	5,360	5,351
Sales and Marketing	300	330	315
General and Administration	897	932	940
Total	22,270	22,156	22,034

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Excluding Trainees			
Onsite			
- Application Services	89%	92%	90%
- ITO Services / IS	97%	96%	91%
Offshore			
- Application Services	79%	80%	79%
- ITO Services / IS	86%	88%	93%
- BPO Services	90%	90%	93%
Blended			
- Application Services	82%	83%	82%
- ITO Services / IS	89%	89%	93%
- BPO Services	90%	90%	93%
Including Trainees			
Onsite			
- Application Services	89%	92%	90%
- ITO Services / IS	97%	96%	91%
Offshore			
- Application Services	79%	78%	79%
- ITO Services / IS	85%	88%	90%
- BPO Services	81%	79%	79%
Blended			
- Application Services	81%	81%	81%
- ITO Services / IS	88%	89%	90%
- BPO Services	81%	79%	79%

(c) Billing Rates

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
			\$/Hr
Onsite			
Application Services	84	83	78
ITO Services / IS	86	77	71
Offshore			
Application Services	22	21	21
ITO Services / IS	20	19	18
BPO Services	11	11	11

Other details

New Client wins

	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2017	Quarter ended 31 Dec 2016
Banking and Capital Market	2	-	1
Insurance	1	-	2
Information Technology, Communication & Entertainment	-	1	1
Emerging Industries	3	4	2
Total client additions	6	5	6
Direct Channel	4	3	4
HP/DXC Channel	2	2	2
Total client additions	6	5	6

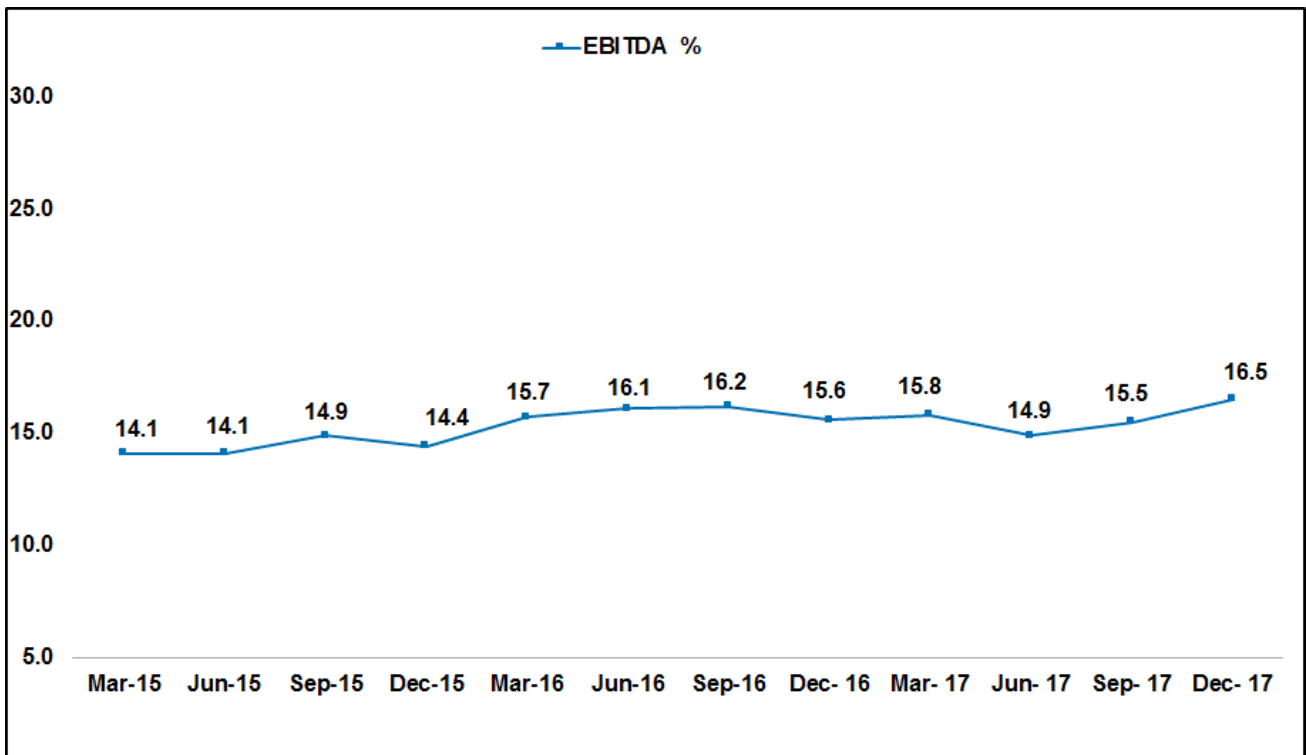
Hedge

	As at 31 Dec 2017	As at 30 Sep 2017	As at 31 Dec 2016
Hedge amount - Millions			
USD	561	417	290
AUD	13	13	11
GBP	19	19	22
EUR	20	16	11
SGD	(0)	(0)	1
CAD	8	8	7
Average hedge rate including premia	₹	₹	₹
USD	67.72	67.84	70.44
AUD	51.52	51.91	51.59
GBP	88.78	88.29	92.44
EUR	78.23	77.50	77.11
SGD	48.43	48.82	47.43
CAD	52.00	52.68	52.86

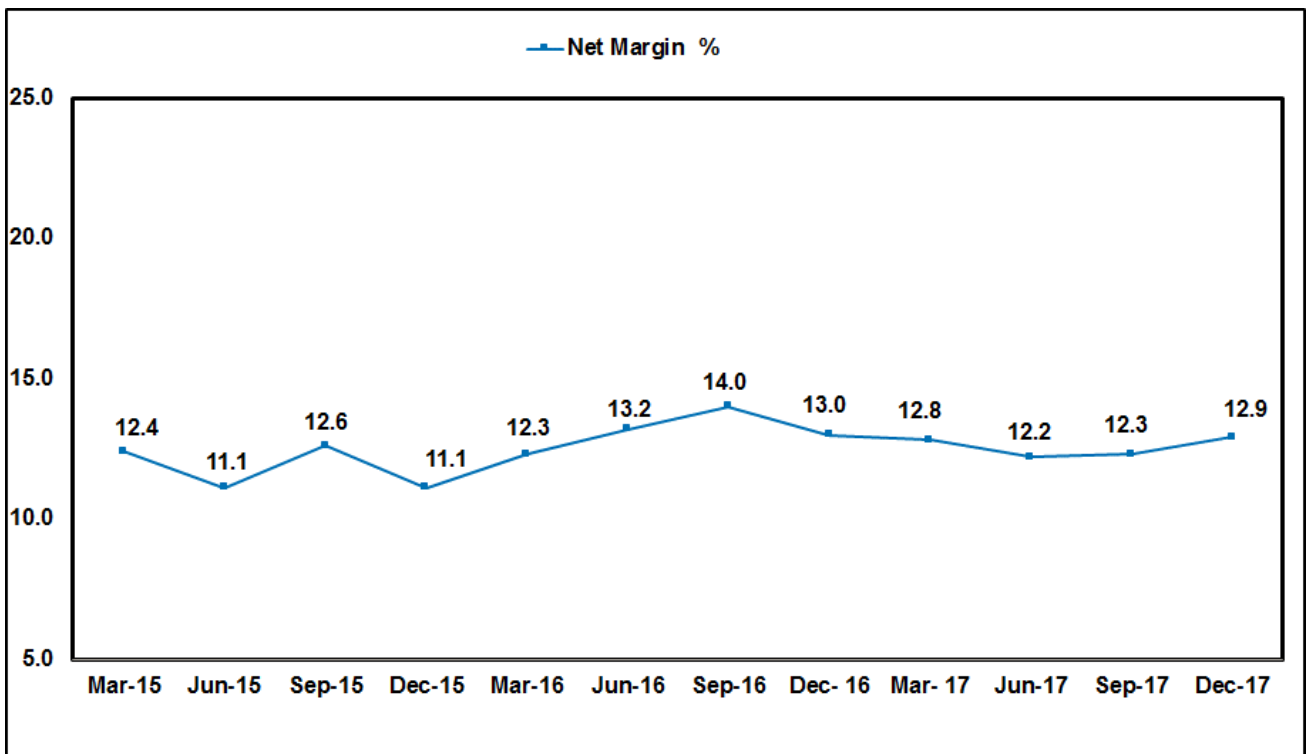
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the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

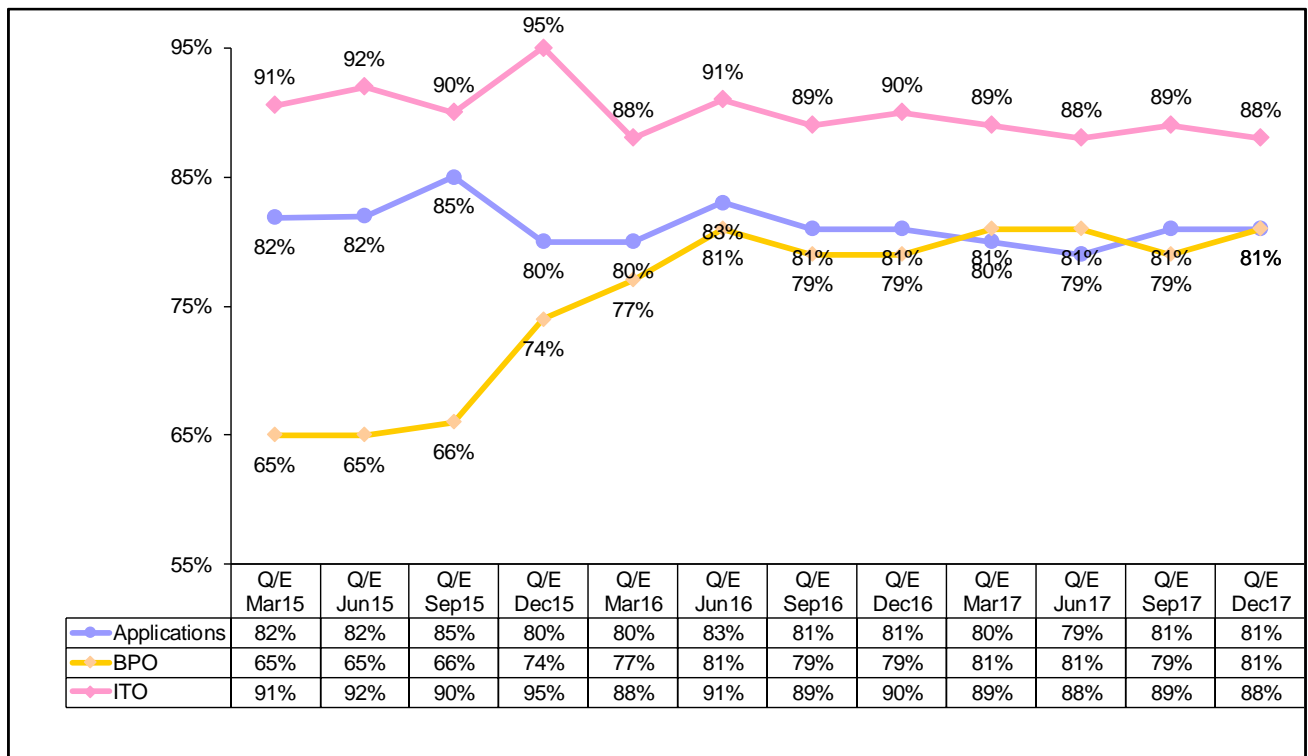
EBITDA



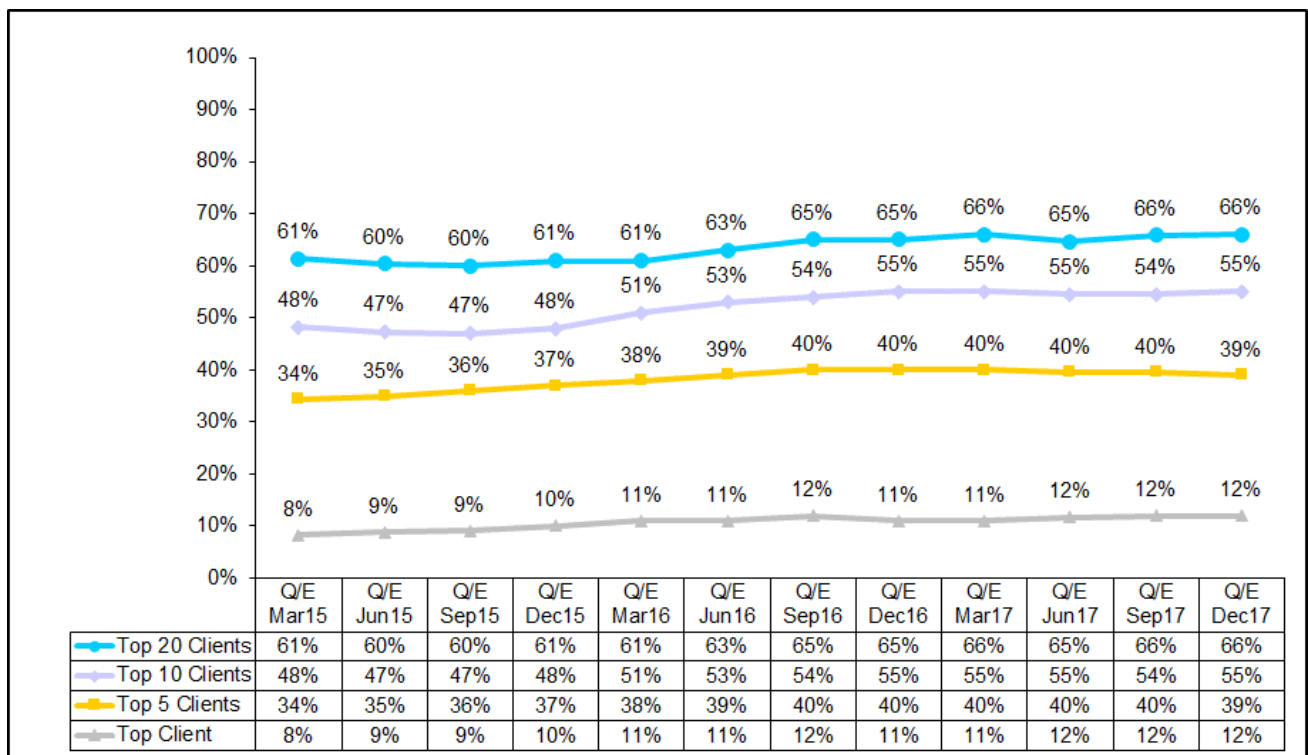
Net Margins



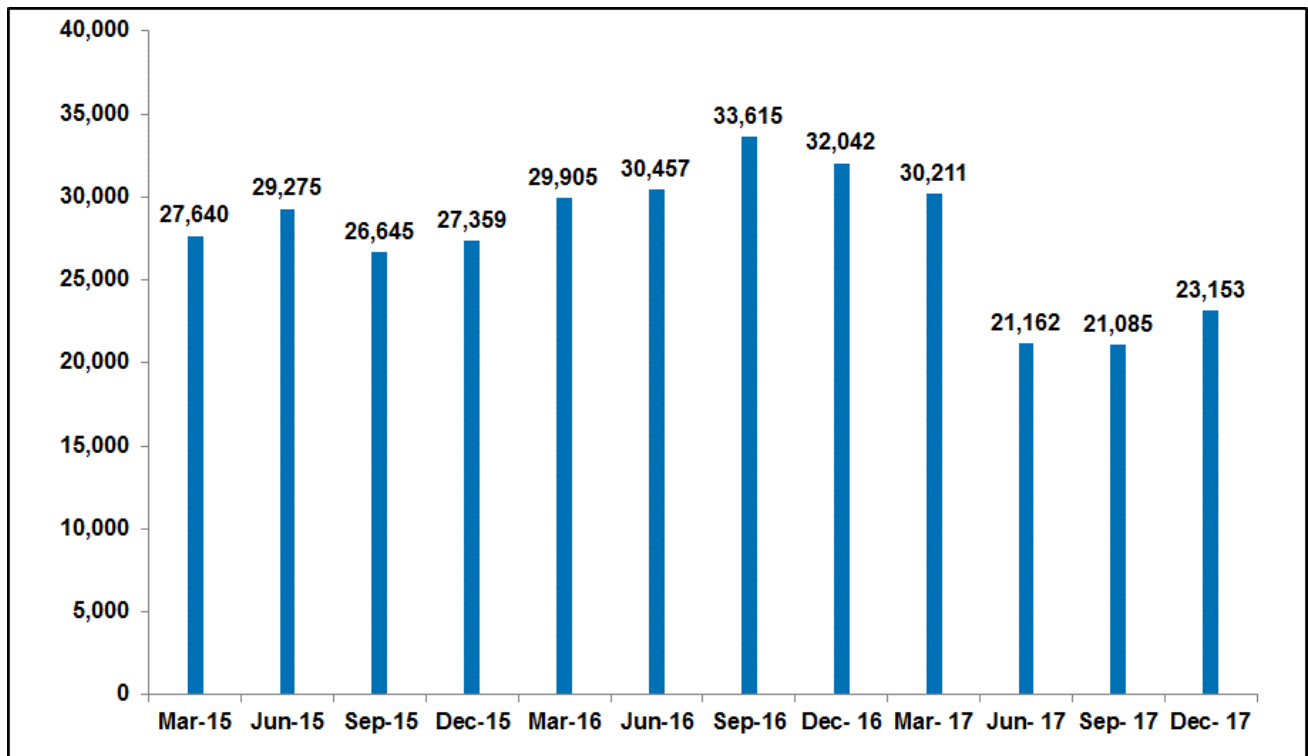
Utilization



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

