



Group Financial Overview and Trends for the Quarter ending 30 Jun 2018

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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.

1. Key Highlights

- Gross Revenue grew 7.0% QoQ and 22.5% YoY in Q1 FY19 on reported basis and 2.9% QoQ and 16.2% YoY in Constant Currency. Gross Revenue growth excluding Q4 FY18 one-time revenue from India Government business was 3.6% QoQ in Constant Currency.
- Direct Core revenue grew 8.5% QoQ and 21.3% YoY in Q1 FY19 on a reported basis and 4.2% QoQ and 14.8% YoY in Constant Currency.
- DXC/HP revenue grew 8.3% QoQ and 29.9% YoY in Q1 FY19 on a reported basis and 4.5% QoQ and 23.3% YoY in Constant Currency.
- Total TCV win of USD 153 million in Q1 FY19 in Direct International
- Net Profit (after exceptional items) grew 8.7% QoQ and 38.0% YoY in Q1 FY19 to ₹ 2,583 million.
- EPS (after exceptional items) grew 8.6% QoQ and 47.0% YoY in Q1 FY19 to ₹ 13.4.

2. Revenue

a. Direct International

- Direct International revenue grew 7.6% QoQ and 21.3% YoY on a reported basis in Q1 FY19 and 3.2% QoQ and 14.8% YoY in Constant Currency.
- Direct Core revenue which is 78% of Direct International revenue in Q1 FY19 grew 8.5% QoQ and 21.3% YoY on a reported basis. Revenue grew 4.2% QoQ and 14.8% YoY in Constant Currency
- Won deals with TCV of USD 153 million in Q1 FY19 with 78% of the deal wins in New-Gen Services.
- New-Gen Services revenue grew 53.8% YoY on a reported basis to 44.4% of Direct Core revenues in Q1 FY19.

b. DXC/HP Business

In Q1 FY19, revenue grew 8.3% QoQ and 29.9% YoY on a reported basis. Revenue grew 4.5% QoQ and 23.3% YoY in Constant Currency. DXC/HP business contributed 27% of the gross revenue in Q1 FY19.

3. Financial indicators

a. Revenues

Net revenue grew 4.3% QoQ and 18.5% YoY in Q1 FY19 to ₹18,202 million in reported terms. Net Revenue grew 0.4% QoQ and 12.4% YoY in Constant Currency; impacted by lower hedge gains. Excluding the impact of one-time revenue from India Government business in Q4 FY18, Net Revenue grew 5.1% QoQ on a reported basis and 1.1% QoQ in Constant Currency.

b. Gross Profit

Gross profit increased 5.7% QoQ and 25.9% YoY in Q1 FY19 to ₹5,099 million. Gross margin improved 40 bps QoQ and 160 bps YoY to 28.0%.

c. Operating Profit (EBIT)

Operating profit increased 3.3% QoQ and 43.0% YoY to ₹ 3,022 million in Q1 FY19. While Operating margin improved 280 bps YoY, margins declined 20 bps QoQ to 16.6% in Q1 FY19. Excluding the impact of one-time revenue from India Government business in Q4 FY18, Operating margin improved 40bps QoQ in Q1 FY19.

d. Net Profit

Net profit (after exceptional items) grew 8.7% QoQ and 38.0% YoY to ₹ 2,583 million in Q1 FY19 driven by growth in revenue. While Net Margin increased 200 bps YoY, Net margin declined 20bps QoQ to 14.2% in Q1 FY19 on account of one-time revenue in Q4 FY18 from India Government business.

4. Cash Management

Cash and cash equivalents increased by ₹ 2,482 million during the quarter to ₹ 27,372 million (USD 398M).

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	QoQ Growth %	Quarter ended 30 Jun 2017	YoY Growth %
Gross Revenues	18,218	17,033	7.0%	14,876	22.5%
Adjustment from Hedging Reserve	(16)	412	-103.9%	484	103.3%
Net Revenues	18,202	17,445	4.3%	15,360	18.5%
<i>Cost of revenues</i>	13,103	12,622	3.8%	11,310	15.9%
Manpower cost	10,583	10,294	2.8%	9,201	15.0%
Rent	538	545	-1.3%	522	3.1%
Depreciation and Amortization	158	142	11.3%	148	6.8%
Others	1,824	1,640	11.2%	1,439	26.8%
Gross profit	5,099	4,823	5.7%	4,050	25.9%
<i>Selling expenses</i>	1,132	1,012	11.9%	1,105	2.4%
Manpower cost	800	792	1.0%	835	-4.2%
Travel	132	83	59.0%	131	0.8%
Depreciation and Amortization	3	3	0.0%	4	-25.0%
Others	197	134	47.0%	135	45.9%
<i>General and administrative expenses</i>	925	887	4.3%	834	10.9%
Manpower cost	513	519	-1.2%	487	5.3%
Rent	29	26	11.5%	29	0.0%
Depreciation and Amortization	18	26	-30.8%	29	-37.9%
Others	365	316	15.5%	289	26.3%
<i>Provision for doubtful debts</i>	20	-		(3)	-
Operating profit	3,022	2,924	3.3%	2,114	43.0%
Foreign exchange gain, net	67	12	458.3%	16	318.8%
Other income, net	382	410	-6.8%	453	-15.7%
Interest expenses	(42)	(43)	-2.3%	(21)	100.0%
Profit before taxation before Exceptional Item	3,429	3,303	3.8%	2,562	33.8%
Exceptional Item (net of taxes)	-	131	-	-	-
Profit before taxation after Exceptional Item	3,429	3,172	8.1%	2,562	33.8%
Income taxes	846	796	6.3%	690	22.6%
-Current	712	1,003	-29.0%	727	-2.1%
-Deferred	134	(207)	-164.7%	(37)	-462.2%
Net profit before Exceptional Item	2,583	2,508	3.0%	1,872	38.0%
Net profit after Exceptional Item	2,583	2,377	8.7%	1,872	38.0%
Earning per share (par value ₹10)					
Before Exceptional Item (₹)	13.4	13.0	2.9%	9.1	47.0%
After Exceptional Item (₹)	13.4	12.3	8.6%	9.1	47.0%

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 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
PROFIT AND LOSS ACCOUNT				
Gross margin	%	28.0%	27.6%	26.4%
Selling expenses	%	6.2%	5.8%	7.2%
General and administrative expenses	%	5.1%	5.1%	5.4%
Operating margin	%	16.6%	16.8%	13.8%
EBITDA margin	%	17.6%	17.7%	14.9%
Net margin*	%	14.2%	14.4%	12.2%
Effective tax rate*	%	24.7%	24.1%	26.9%
EPS (Basic)*	₹	13.4	13.0	9.1

*Before exceptional item

Exchange Rates

		Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Period Closing Rate	₹/\$	68.79	64.98	64.53
Average Exchange Rate		67.80	64.49	64.42

Consolidated Balance sheet

₹ Millions

	30 Jun 2018	31 Mar 2018	30 Jun 2017
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1,933	1,933	1,931
Reserves and surplus	55,063	52,567	49,951
Employee stock options outstanding	368	318	233
	57,364	54,818	52,115
LOAN FUNDS			
Secured loans	853	2,599	2,581
Unsecured loans	1,121	1,300	-
DEFERRED TAX LIABILITY	32	50	106
	59,370	58,767	54,802
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	4,552	4,304	4,233
Accumulated depreciation	(2,683)	(2,478)	(2,044)
Net book value	1,868	1,826	2,189
Capital work-in-progress including capital advances	536	399	382
	2,404	2,225	2,571
GOODWILL	17,979	17,015	13,964
INVESTMENTS	22,724	17,821	15,766
DEFERRED TAX ASSETS	1,492	1,057	3,564
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	6,916	7,364	7,343
Unbilled revenues	6,237	5,433	4,213
Cash and bank balances	4,648	7,069	5,396
Interest receivable	52	79	61
Loans and advances	10,937	11,034	11,488
	28,790	30,979	28,501
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	10,974	7,691	7,357
Provisions	3,045	2,638	2,207
	14,019	10,329	9,564
NET CURRENT ASSETS	14,771	20,649	18,937
	59,370	58,767	54,802

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 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
BALANCE SHEET				
Cash & cash equivalents	₹ Millions	27,372	24,890	21,162
Receivables	Days	65	68	70

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 ₹ 156 million (Q4 FY18 - ₹ 133 million, Q1 FY18 - ₹ 132 million).

The Group's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds, highly rated listed non-convertible debentures, zero coupon bonds and fixed maturity plans (FMP). 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 the investments are recorded and valued at the applicable accounting standards.

Primary Segment Information

	₹ Millions				
	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	QoQ Growth %	Quarter ended 30 Jun 2017	YoY Growth %
Segment Revenue					
Banking and Capital Market	8,569	8,048	6.5%	7,302	17.3%
Insurance	2,052	1,984	3.4%	2,009	2.1%
Information Technology, Communication & Entertainment	3,139	2,883	8.9%	1,855	69.2%
Emerging Industries	4,458	4,117	8.3%	3,710	20.2%
Total Revenues	18,218	17,033	7.0%	14,876	22.5%
Segment Profit					
Banking and Capital Market	2,307	2,032	13.5%	1,658	39.2%
Insurance	511	481	6.3%	439	16.4%
Information Technology, Communication & Entertainment	809	641	26.4%	332	143.8%
Emerging Industries	1,487	1,257	18.3%	1,137	30.8%
Total Segment Profit	5,115	4,411	16.0%	3,566	43.4%
Gross Margin %					
Banking and Capital Market	26.9%	25.3%	1.6%	22.7%	4.2%
Insurance	24.9%	24.2%	0.7%	21.9%	3.0%
Information Technology, Communication & Entertainment	25.8%	22.2%	3.6%	17.9%	7.9%
Emerging Industries	33.3%	30.5%	2.8%	30.6%	2.7%
Total	28.1%	25.9%	2.2%	24.0%	4.1%

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 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Onsite	10,472 57%	9,505 56%	8,034 54%
Offshore	7,746 43%	7,528 44%	6,842 46%
Total	18,218	17,033	14,876

(b) By Project Type

	₹ Millions		
	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Time and Material	13,383 73%	12,551 74%	11,703 79%
Fixed Price	4,835 27%	4,482 26%	3,173 21%
Total	18,218	17,033	14,876

(c) By Secondary Market Segment

	₹ Millions		
	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Direct International	12,643 70%	11,752 69%	10,424 70%
DXC / HP Business	4,986 27%	4,606 27%	3,839 26%
Others	589 3%	675 4%	613 4%
Total	18,218	17,033	14,876

(d) By Geography

₹ Millions

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
AMERICAS	14,411 80%	13,471 79%	11,825 80%
EMEA	2,088 11%	1,873 11%	1,457 10%
INDIA	1,155 6%	1,084 6%	965 6%
ROW	564 3%	605 4%	629 4%
Total	18,218	17,033	14,876

(e) By Service Type

₹ Millions

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Application Maintenance & Other Services	5,494 30%	5,320 31%	5,296 36%
Application Development	5,007 28%	4,456 26%	3,668 25%
Customer Service	221 1%	228 1%	222 1%
Service / Technical Help Desk	1,498 8%	1,267 8%	800 5%
Transaction Processing Service	1,200 7%	1,167 7%	1,039 7%
Infrastructure Management Services	2,705 15%	2,588 15%	2,047 14%
Knowledge Processes	2,074 11%	1,990 12%	1,789 12%
License Income	19 0%	17 0%	15 0%
Total	18,218	17,033	14,876

(f) Client Concentration

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Revenues from Top Client	13%	13%	12%
Revenues from Top 5 Clients	41%	40%	38%
Revenues from Top 10 Clients	56%	56%	54%
Clients Contributing more than:			
\$ 20 million Revenues	8	8	8
- Direct Channel	6	6	6
- DXC / HP Channel	2	2	2
\$ 10 million Revenues	18	17	16
- Direct Channel	15	14	13
- DXC / HP Channel	3	3	3
\$ 5 million Revenues	37	37	40
- Direct Channel	24	24	26
- DXC / HP Channel	13	13	14
\$ 1 million Revenues	93	90	91
- Direct Channel	61	58	58
- DXC / HP Channel	32	32	33

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

Tower Information

(a) Headcount*

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Onsite			
- Application Services	2,550	2,456	2,373
- ITO Services / IS	1,087	1,120	277
- BPO Services	914	950	1,044
Offshore			
- Application Services	8,680	8,281	8,668
- ITO Services / IS	3,075	3,121	3,055
- BPO Services	5,092	5,139	5,191
Sales and Marketing	270	278	346
General and Administration	898	894	943
Total	22,566	22,239	21,897

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Excluding Trainees			
Onsite			
- Application Services	92%	94%	91%
- ITO Services / IS	99%	99%	91%
Offshore			
- Application Services	83%	83%	78%
- ITO Services / IS	90%	91%	89%
- BPO Services	94%	92%	92%
Blended			
- Application Services	85%	86%	81%
- ITO Services / IS	93%	94%	89%
- BPO Services	94%	92%	92%
Including Trainees			
Onsite			
- Application Services	92%	94%	91%
- ITO Services / IS	99%	99%	91%
Offshore			
- Application Services	80%	82%	76%
- ITO Services / IS	89%	90%	88%
- BPO Services	83%	83%	81%
Blended			
- Application Services	83%	85%	79%
- ITO Services / IS	92%	93%	88%
- BPO Services	83%	83%	81%

(c) Billing Rates

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
			\$/Hr
Onsite			
Application Services	85	85	80
ITO Services / IS	86	88	74
Offshore			
Application Services	22	22	21
ITO Services / IS	24	22	19
BPO Services	10	11	11

Other details

New Client wins

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017
Banking and Capital Market	4	1	4
Insurance	-	2	2
Information Technology, Communication & Entertainment	1	-	2
Emerging Industries	7	2	4
Total client additions	12	5	12
Direct Channel	7	4	7
HP / DXC Channel	5	1	5
Total client additions	12	5	12

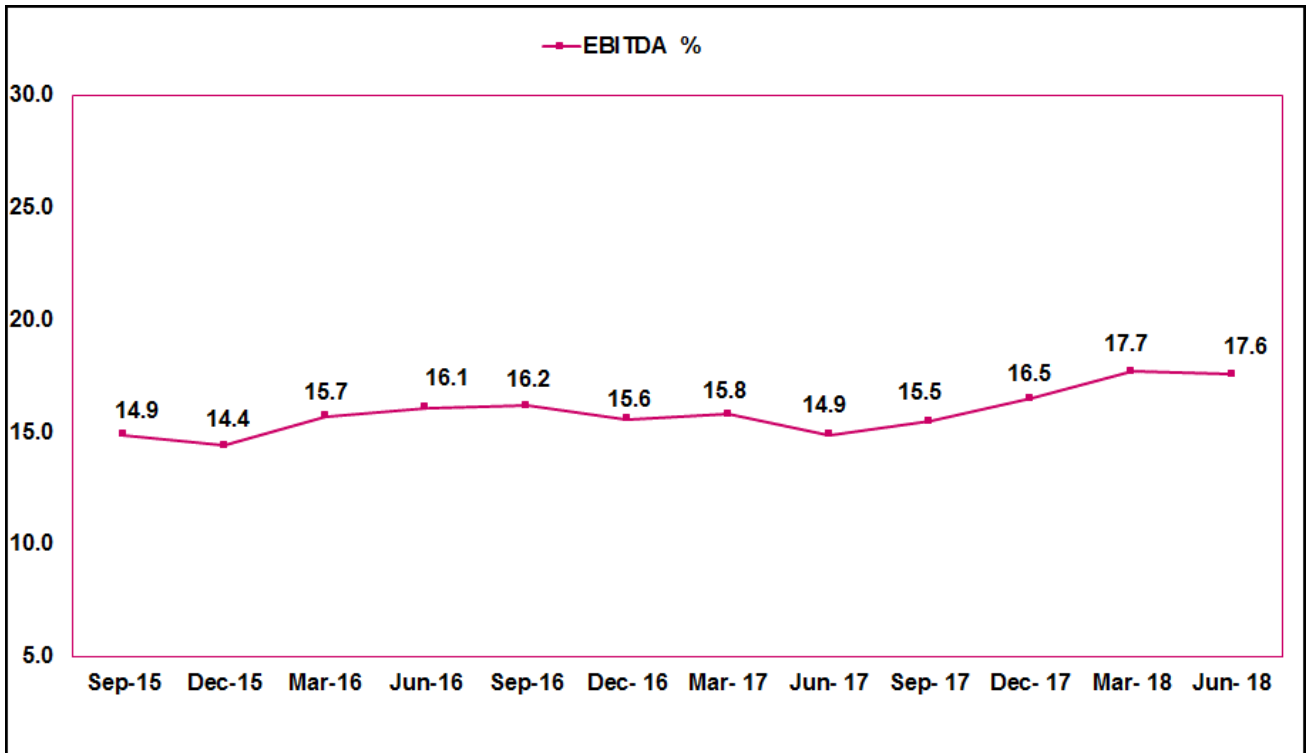
Hedge

	As at 30 Jun 2018	As at 31 Mar 2018	As at 30 Jun 2017
Hedge amount - Millions			
USD	558	569	371
AUD	12	14	12
GBP	25	25	18
EUR	27	25	13
SGD	-	-	(0)
CAD	9	9	8
Average hedge rate including premia	₹	₹	₹
USD	68.40	67.68	68.30
AUD	52.24	51.57	51.16
GBP	93.58	92.38	88.65
EUR	84.16	83.11	76.15
SGD	-	-	46.87
CAD	53.20	52.04	51.44

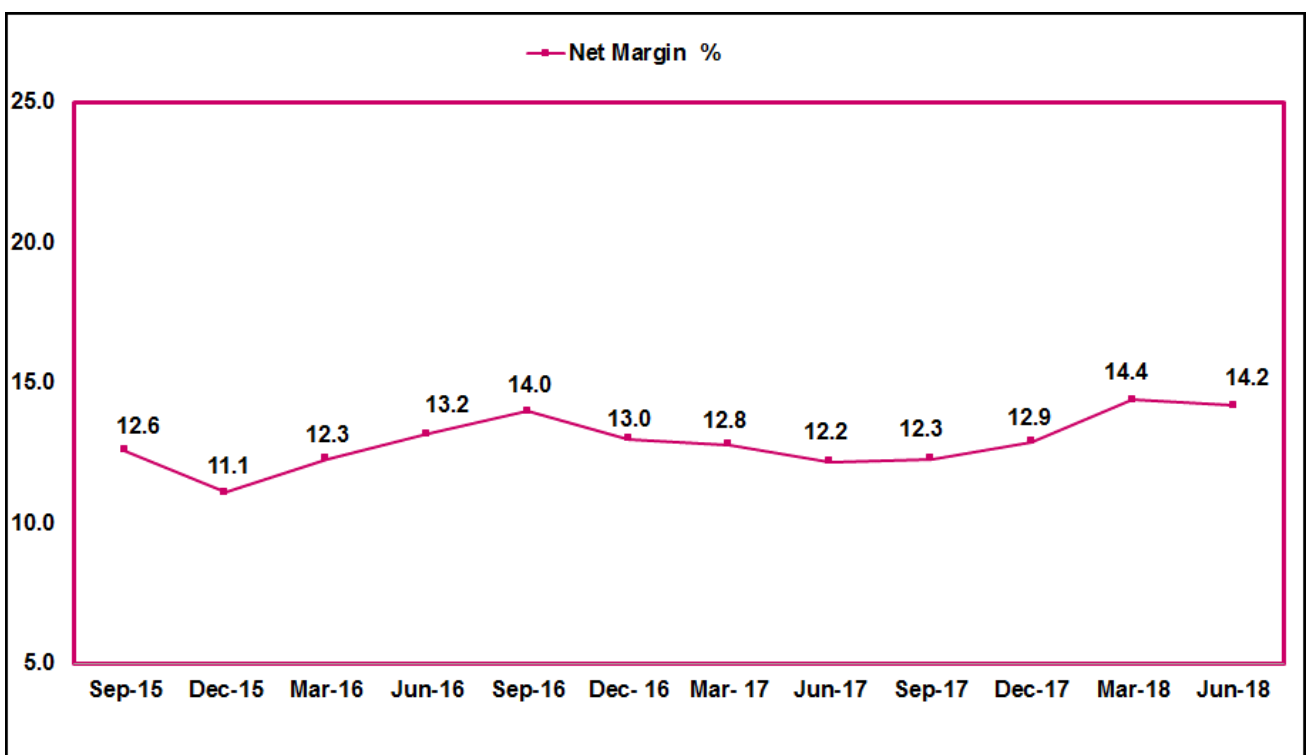
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the 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 Q3-18, the hedge policy was amended to extend the maturity of the hedges from 1 year to 2 years. The outstanding hedges have maturities of upto 24 months. We use these instruments as hedges and not for speculative purposes and all of them qualify for hedge accounting under Ind AS 109 published by the Institute of Chartered Accountants of India.

TRENDS

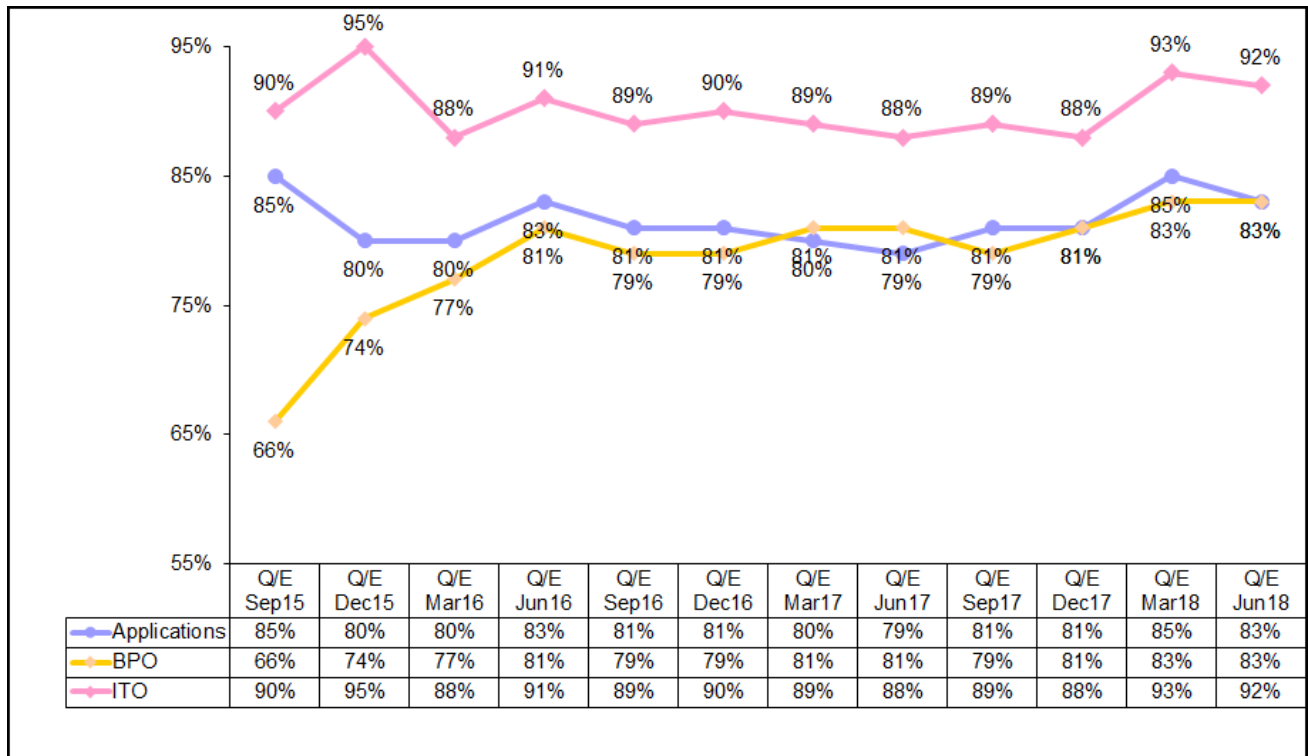
EBITDA



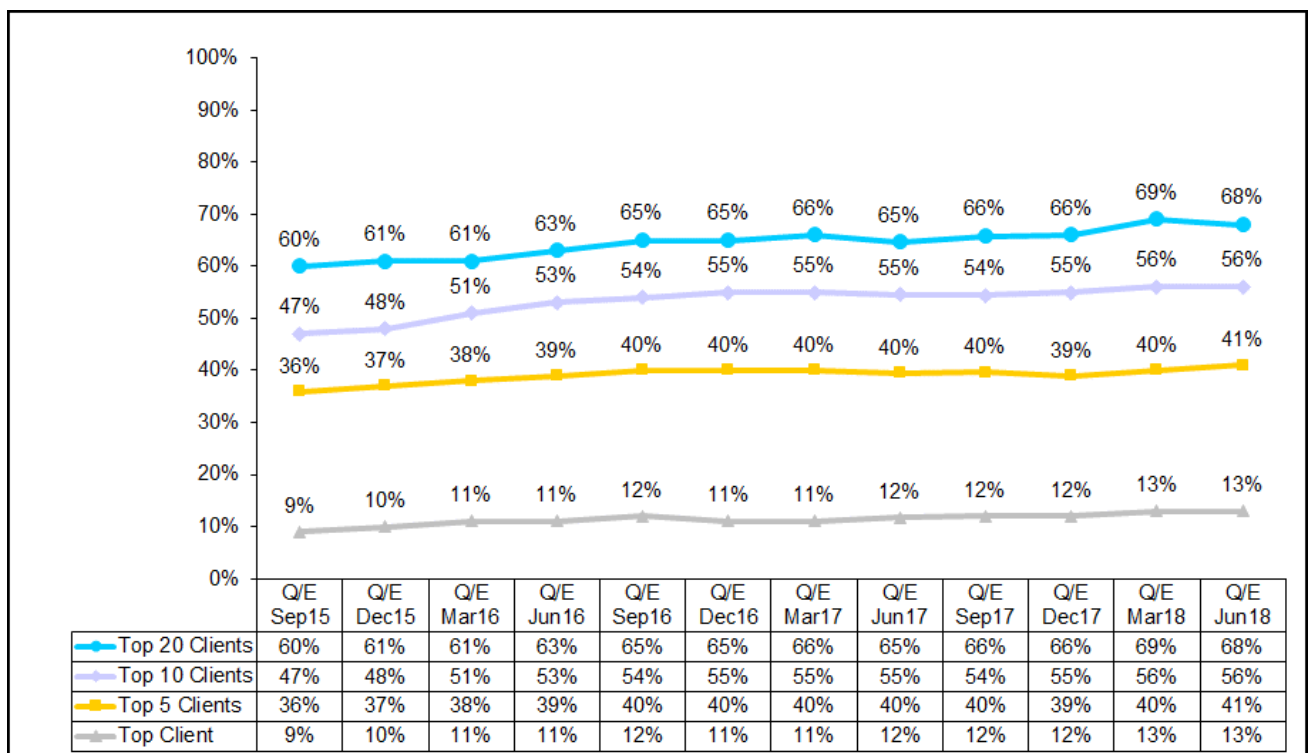
Net Margins



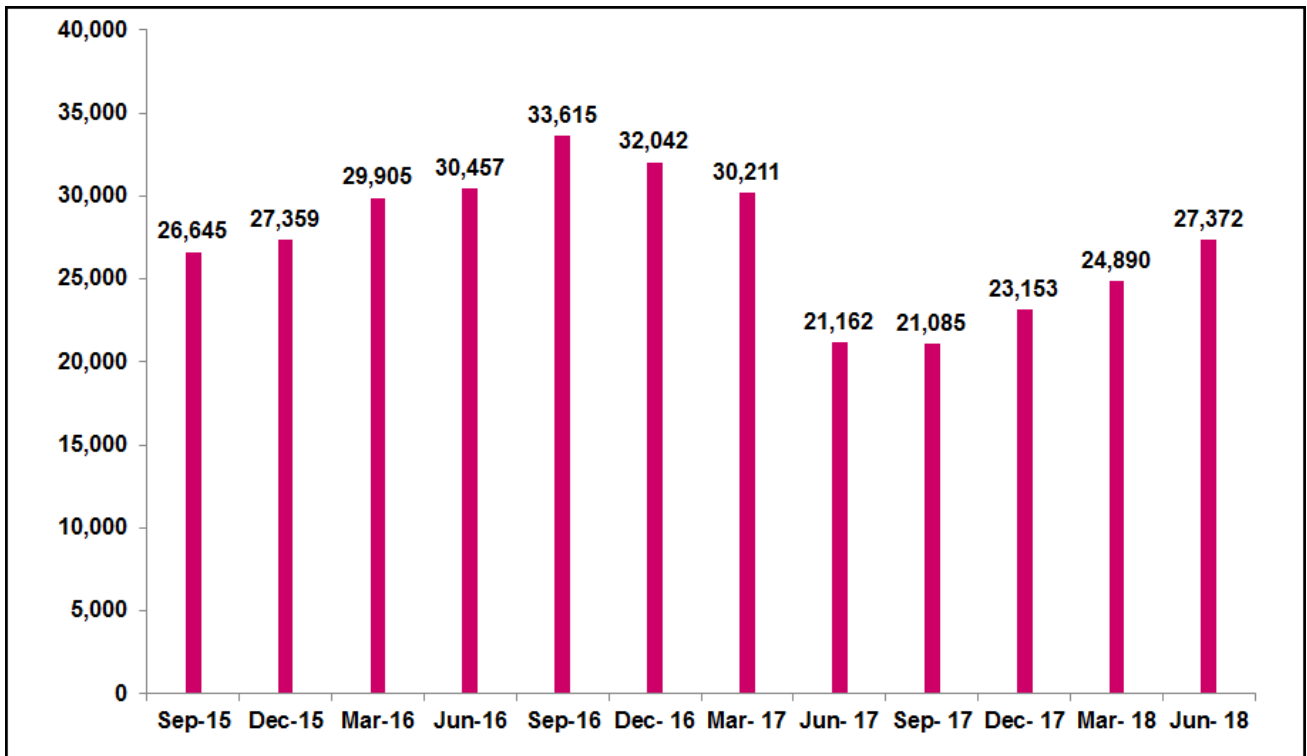
Utilization (including trainees)



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

