



Group Financial Overview and Trends for the Quarter ending 30 Sep 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 6.9% QoQ and 24.5% YoY in Q2 FY19 on reported basis and 3.0% QoQ and 14.8% YoY in Constant Currency.
- Direct Core revenue grew 8.0% QoQ and 24.6% YoY in Q2 FY19 on a reported basis and 3.9% QoQ and 14.3% YoY in Constant Currency.
- DXC/HP revenue grew 10.5% QoQ and 34.7% YoY in Q2 FY19 on a reported basis and 6.4% QoQ and 24.7% YoY in Constant Currency.
- Total new TCV win of USD 210 million in Q2 FY19 in Direct International; YoY growth of 71%.
- Net Profit grew 4.9% QoQ and 37.0% YoY in Q2 FY19 to ₹ 2,709 million.
- EPS grew 4.9% QoQ and 36.9% YoY in Q2 FY19 to ₹ 14.0.

2. Revenue

a. Direct International

- Direct International revenue grew 4.7% QoQ and 20.4% YoY on a reported basis in Q2 FY19 and 0.7% QoQ and 10.3% YoY in Constant Currency.
- Direct Core revenue which is 81% of Direct International revenue in Q2 FY19 grew 8.0% QoQ and 24.6% YoY on a reported basis. Revenue grew 3.9% QoQ and 14.3% YoY in Constant Currency.
- Won new deals with TCV of USD 210 million in Q2 FY19 with 77% of the deal wins in New-Gen Services.
- New-Gen Services revenue grew 48.2% YoY on a reported basis to 45.9% of Direct Core revenue in Q2 FY19.

b. DXC/HP Business

- In Q2 FY19, revenue grew 10.5% QoQ and 34.7% YoY on a reported basis. Revenue grew 6.4% QoQ and 24.7% YoY in Constant Currency driven by certain large transformation deals won during the quarter.
- DXC/HP business contributed 28% of the overall gross revenue in Q2 FY19; of which DXC business contributed 24% of the overall gross revenue in Q2 FY19.

3. Financial indicators

a. Revenues

Net revenue grew 5.2% QoQ and 19.3% YoY in Q2 FY19 to ₹19,149 million in reported terms. Net Revenue grew 1.3% QoQ and 9.9% YoY in Constant Currency.

b. Gross Profit

Gross profit increased 2.7% QoQ and 22.5% YoY in Q2 FY19 to ₹5,217 million. Gross margin declined 70 bps QoQ and improved 70 bps YoY to 27.2%. Gross margin declined QoQ due to transition impact of certain large deals won during the quarter.

c. Operating Profit (EBIT)

Operating profit increased 4.1% QoQ and 36.0% YoY to ₹ 3,145 million in Q2 FY19. While Operating margin improved 200 bps YoY, it declined 20 bps QoQ to 16.4% in Q2 FY19.

d. Net Profit

Net profit grew 4.9% QoQ and 37.0% YoY to ₹ 2,709 million in Q2 FY19 driven by growth in revenue. While Net Margin improved 180 bps YoY, Net Margin declined 10bps QoQ to 14.1% due to QoQ decline in Gross Margin.

4. Cash Management

Cash and cash equivalents decreased by ₹ 2,186 million during the quarter to ₹ 25,185 million (USD 346M). Adjusting for ₹ 4,662 million dividend payout, cash and cash equivalents increased by ₹ 2,476 million (USD 35M) during the quarter.

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	QoQ Growth %	Quarter ended 30 Sep 2017	YoY Growth %
Gross Revenues	19,479	18,218	6.9%	15,650	24.5%
Adjustment from Hedging Reserve	(330)	(16)		397	
Net Revenues	19,149	18,202	5.2%	16,047	19.3%
<i>Cost of revenues</i>	13,932	13,123	6.2%	11,789	18.2%
Manpower cost	11,355	10,583	7.3%	9,683	17.3%
Rent	536	538	-0.4%	524	2.3%
Depreciation and Amortization	162	158	2.5%	150	8.0%
Others	1,879	1,844	1.9%	1,432	31.2%
Gross profit	5,217	5,079	2.7%	4,258	22.5%
<i>Selling expenses</i>	1,203	1,132	6.3%	1,111	8.3%
Manpower cost	925	800	15.6%	818	13.1%
Travel	97	132	-26.5%	98	-1.0%
Depreciation and Amortization	3	3	0.0%	4	-25.0%
Others	178	197	-9.6%	191	-6.8%
<i>General and administrative expenses</i>	869	925	-6.0%	864	0.6%
Manpower cost	523	513	2.0%	509	2.8%
Rent	30	29	3.4%	31	-3.2%
Depreciation and Amortization	19	18	5.6%	27	-29.6%
Others	297	365	-18.6%	297	0.0%
<i>Provision for doubtful debts</i>	-	-		(29)	-
Operating profit	3,145	3,022	4.1%	2,312	36.0%
Foreign exchange gain, net	26	67	-61.2%	26	0.0%
Other income, net	441	382	15.4%	349	26.4%
Interest expenses	(26)	(42)	-38.1%	(37)	-29.7%
Profit before taxation before Exceptional Item	3,586	3,429	4.6%	2,650	35.3%
Exceptional Item (net of taxes)	-	-	-	-	-
Profit before taxation after Exceptional Item	3,586	3,429	4.6%	2,650	35.3%
Income taxes	877	846	3.7%	673	30.3%
-Current	917	712	28.8%	679	35.1%
-Deferred	(40)	134	-129.9%	(6)	566.7%
Net profit before Exceptional Item	2,709	2,583	4.9%	1,977	37.0%
Net profit after Exceptional Item	2,709	2,583	4.9%	1,977	37.0%
Earning per share (par value ₹10)					
Before Exceptional Item (₹)	14.0	13.4	4.9%	10.2	36.9%
After Exceptional Item (₹)	14.0	13.4	4.9%	10.2	36.9%

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 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
PROFIT AND LOSS ACCOUNT				
Gross Revenue (\$ Mn)	\$	275.6	268.7	242.3
Gross margin	%	27.2%	27.9%	26.5%
Selling expenses	%	6.3%	6.2%	6.9%
General and administrative expenses	%	4.5%	5.1%	5.4%
Operating margin	%	16.4%	16.6%	14.4%
EBITDA margin	%	17.4%	17.6%	15.5%
Net margin*	%	14.1%	14.2%	12.3%
Effective tax rate*	%	24.5%	24.7%	25.4%
EPS (Basic)*	₹	14.0	13.4	10.2

*Before exceptional item

Exchange Rates

		Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Period Closing Rate	₹/\$	72.70	68.79	65.45
Average Exchange Rate		70.67	67.80	64.58

Consolidated Balance sheet

₹ Millions

	30 Sep 2018	30 Jun 2018	30 Sep 2017
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1,934	1,933	1,932
Reserves and surplus	53,239	55,063	48,049
Employee stock options outstanding	413	368	237
	55,586	57,364	50,218
LOAN FUNDS			
Secured loans	2,181	853	2,618
Unsecured loans	-	1,121	1,309
DEFERRED TAX LIABILITY	19	32	74
	57,786	59,371	54,219
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	5,010	4,595	4,243
Accumulated depreciation	(3,005)	(2,727)	(2,163)
Net book value	2,005	1,868	2,080
Capital work-in-progress including capital advances	412	536	381
	2,417	2,404	2,461
GOODWILL	19,002	17,979	14,187
INVESTMENTS	18,647	22,724	16,656
DEFERRED TAX ASSETS	2,162	1,492	3,791
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	7,767	6,916	7,013
Unbilled revenues	6,781	6,237	4,940
Cash and bank balances	6,538	4,648	4,429
Interest receivable	62	52	103
Loans and advances	10,212	10,581	10,721
	31,360	28,434	27,206
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12,961	10,616	7,842
Provisions	2,841	3,045	2,241
	15,802	13,661	10,083
NET CURRENT ASSETS	15,558	14,773	17,124
	57,786	59,371	54,219

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 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
BALANCE SHEET				
Cash & cash equivalents	₹ Millions	25,185	27,371	21,085
Receivables	Days	67	65	69

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 ₹ 176 million (Q1 FY19 - ₹ 156 million, Q2 FY18 - ₹ 133 million).

The Group's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds, fully hedged arbitrage 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 Sep 2018	Quarter ended 30 Jun 2018	QoQ Growth %	Quarter ended 30 Sep 2017	YoY Growth %
Segment Revenue					
Banking and Capital Market	8,964	8,569	4.6%	7,603	17.9%
Insurance	2,199	2,052	7.2%	2,024	8.7%
Information Technology, Communication & Entertainment	3,316	3,139	5.6%	2,206	50.3%
Emerging Industries	5,000	4,458	12.1%	3,817	31.0%
Total Revenues	19,479	18,218	6.9%	15,650	24.5%
Segment Profit					
Banking and Capital Market	2,538	2,302	10.2%	1,840	37.9%
Insurance	591	506	16.8%	455	30.0%
Information Technology, Communication & Entertainment	803	806	-0.4%	401	100.3%
Emerging Industries	1,615	1,480	9.1%	1,164	38.8%
Total Segment Profit	5,547	5,094	8.9%	3,860	43.7%
Gross Margin %					
Banking and Capital Market	28.3%	26.9%	1.4%	24.2%	4.1%
Insurance	26.9%	24.7%	2.2%	22.5%	4.4%
Information Technology, Communication & Entertainment	24.2%	25.7%	-1.5%	18.2%	6.0%
Emerging Industries	32.3%	33.2%	-0.9%	30.5%	1.8%
Total	28.5%	28.0%	0.5%	24.7%	3.8%

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 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Onsite	11,294 58%	10,472 57%	8,645 55%
Offshore	8,185 42%	7,746 43%	7,005 45%
Total	19,479	18,218	15,650

(b) By Project Type

	₹ Millions		
	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Time and Material	14,691 75%	13,383 73%	12,114 77%
Fixed Price	4,788 25%	4,835 27%	3,536 23%
Total	19,479	18,218	15,650

(c) By Secondary Market Segment

	₹ Millions		
	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Direct International	13,243 68%	12,643 70%	11,002 70%
DXC / HP Business	5,511 28%	4,986 27%	4,090 26%
Others	725 4%	589 3%	558 4%
Total	19,479	18,218	15,650

(d) By Geography

₹ Millions

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
AMERICAS	15,610 80%	14,411 80%	12,534 80%
EMEA	2,103 11%	2,088 11%	1,482 10%
INDIA	1,136 6%	1,155 6%	1,007 6%
ROW	630 3%	564 3%	627 4%
Total	19,479	18,218	15,650

(e) By Service Type

₹ Millions

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Application Maintenance & Other Services	6,705 34%	5,494 30%	5,415 35%
Application Development	5,397 28%	5,007 28%	3,754 24%
Customer Service	199 1%	221 1%	262 2%
Service / Technical Help Desk	1,260 6%	1,498 8%	1,124 7%
Transaction Processing Service	1,221 7%	1,200 7%	1,062 7%
Infrastructure Management Services	2,760 14%	2,705 15%	2,104 13%
Knowledge Processes	1,913 10%	2,074 11%	1,909 12%
License Income	24 0%	19 0%	20 0%
Total	19,479	18,218	15,650

(f) Client Concentration

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Revenues from Top Client	14%	13%	12%
Revenues from Top 5 Clients	43%	41%	38%
Revenues from Top 10 Clients	58%	56%	55%
Clients Contributing more than:			
\$ 20 million Revenues	8	8	8
- <i>Direct Channel</i>	6	6	6
- <i>DXC / HP Channel</i>	2	2	2
\$ 10 million Revenues	19	18	15
- <i>Direct Channel</i>	15	15	12
- <i>DXC / HP Channel</i>	4	3	3
\$ 5 million Revenues	36	37	38
- <i>Direct Channel</i>	24	24	24
- <i>DXC / HP Channel</i>	12	13	14
\$ 1 million Revenues	95	93	91
- <i>Direct Channel</i>	63	61	59
- <i>DXC / HP Channel</i>	32	32	32

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

Tower Information

(a) Headcount*

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Onsite			
- Application Services	2,703	2,550	2,363
- ITO Services / IS	1,071	1,087	676
- BPO Services	914	914	998
Offshore			
- Application Services	8,958	8,680	8,486
- ITO Services / IS	2,937	3,075	3,011
- BPO Services	5,140	5,092	5,360
Sales and Marketing	270	270	330
General and Administration	895	898	932
Total	22,888	22,566	22,156

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Excluding Trainees			
Onsite			
- Application Services	91%	92%	92%
- ITO Services / IS	99%	99%	96%
Offshore			
- Application Services	83%	83%	80%
- ITO Services / IS	90%	90%	88%
- BPO Services	91%	94%	90%
Blended			
- Application Services	85%	85%	83%
- ITO Services / IS	93%	93%	89%
- BPO Services	91%	94%	90%
Including Trainees			
Onsite			
- Application Services	91%	92%	92%
- ITO Services / IS	99%	99%	96%
Offshore			
- Application Services	80%	80%	78%
- ITO Services / IS	89%	89%	88%
- BPO Services	80%	83%	79%
Blended			
- Application Services	83%	83%	81%
- ITO Services / IS	92%	92%	89%
- BPO Services	80%	83%	79%

(c) Billing Rates

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
\$/Hr			
Onsite			
Application Services	86	85	83
ITO Services / IS	86	86	77
Offshore			
Application Services	22	22	21
ITO Services / IS	23	24	19
BPO Services	10	10	11

Other details

New Client wins

	Quarter ended 30 Sep 2018	Quarter ended 30 Jun 2018	Quarter ended 30 Sep 2017
Banking and Capital Market	3	4	-
Insurance	-	-	-
Information Technology, Communication & Entertainment		1	1
Emerging Industries	9	7	4
Total client additions	12	12	5
Direct Channel	5	7	3
HP / DXC Channel	7	5	2
Total client additions	12	12	5

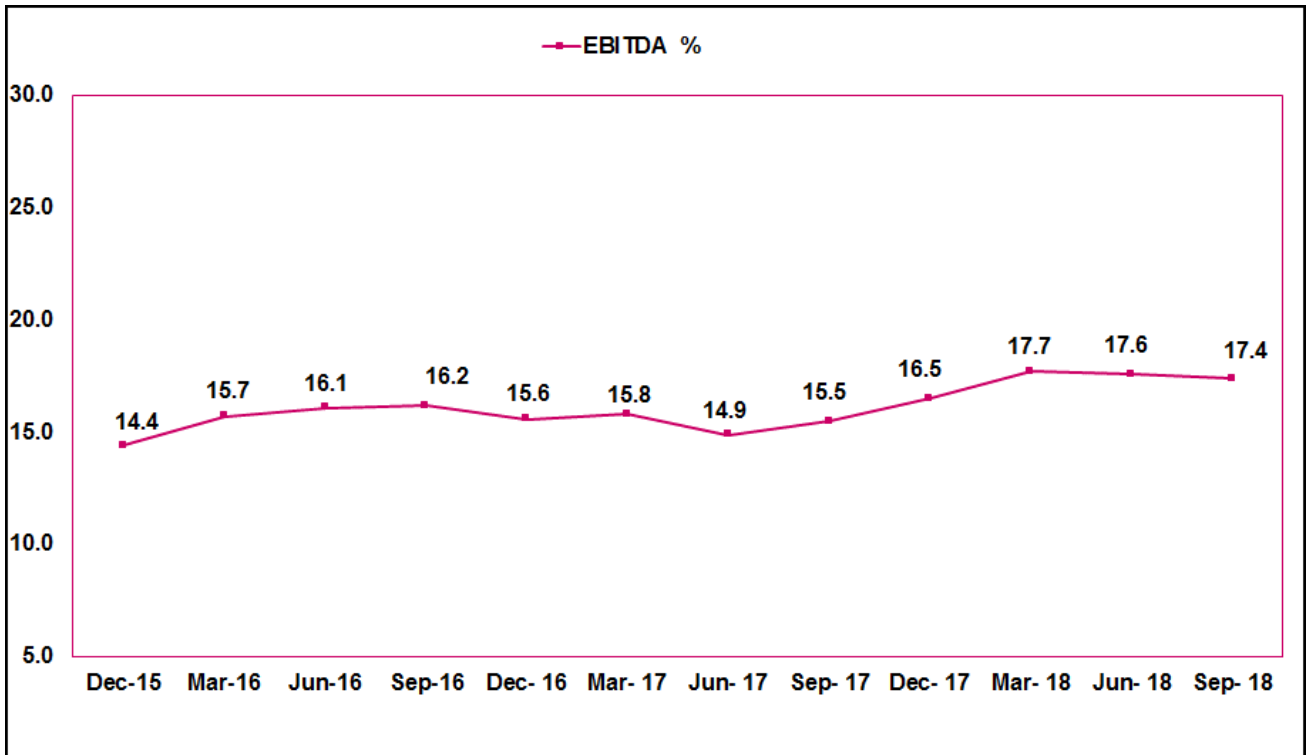
Hedge

	As at 30 Sep 2018	As at 30 Jun 2018	As at 30 Sep 2017
Hedge amount - Millions			
USD	529	558	417
AUD	13	12	13
GBP	24	25	19
EUR	28	27	16
SGD	-	-	(0)
CAD	9	9	8
Average hedge rate including premia	₹	₹	₹
USD	69.74	68.40	67.84
AUD	53.16	52.24	51.91
GBP	95.98	93.58	88.29
EUR	86.35	84.16	77.50
SGD	-	-	48.82
CAD	54.96	53.20	52.68

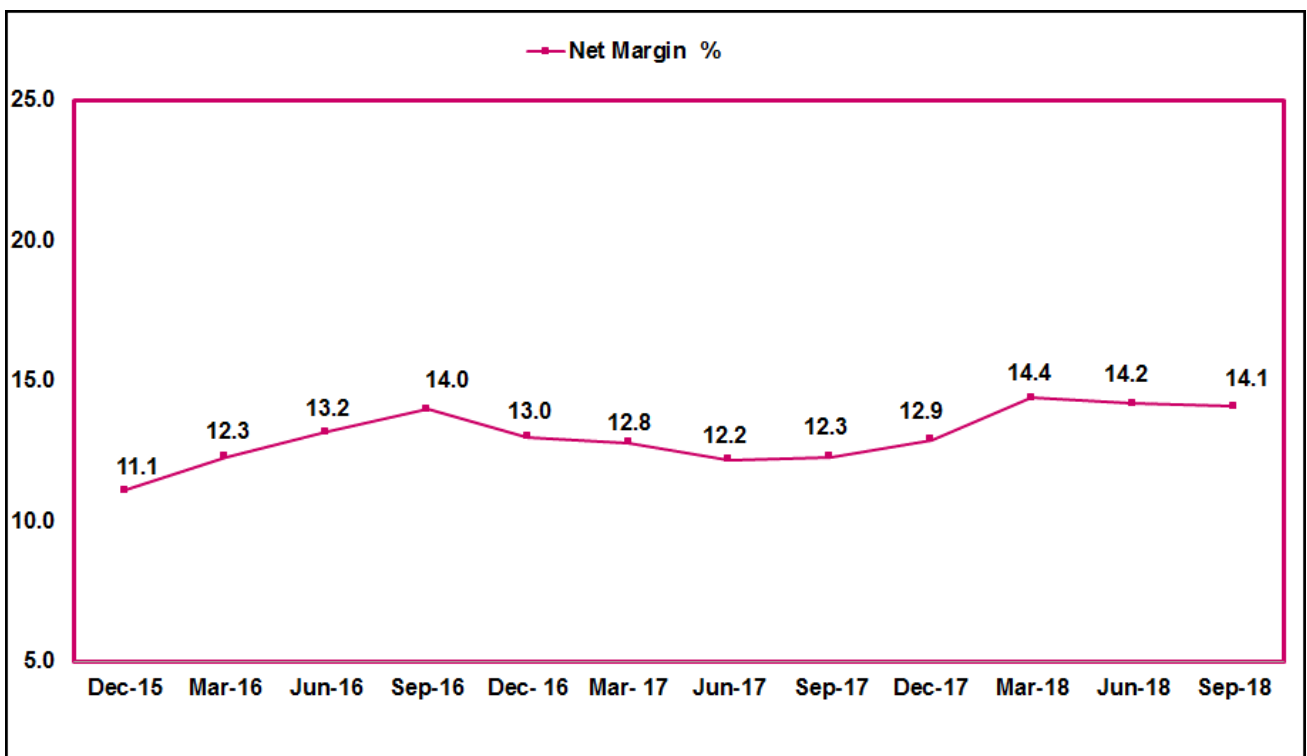
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the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

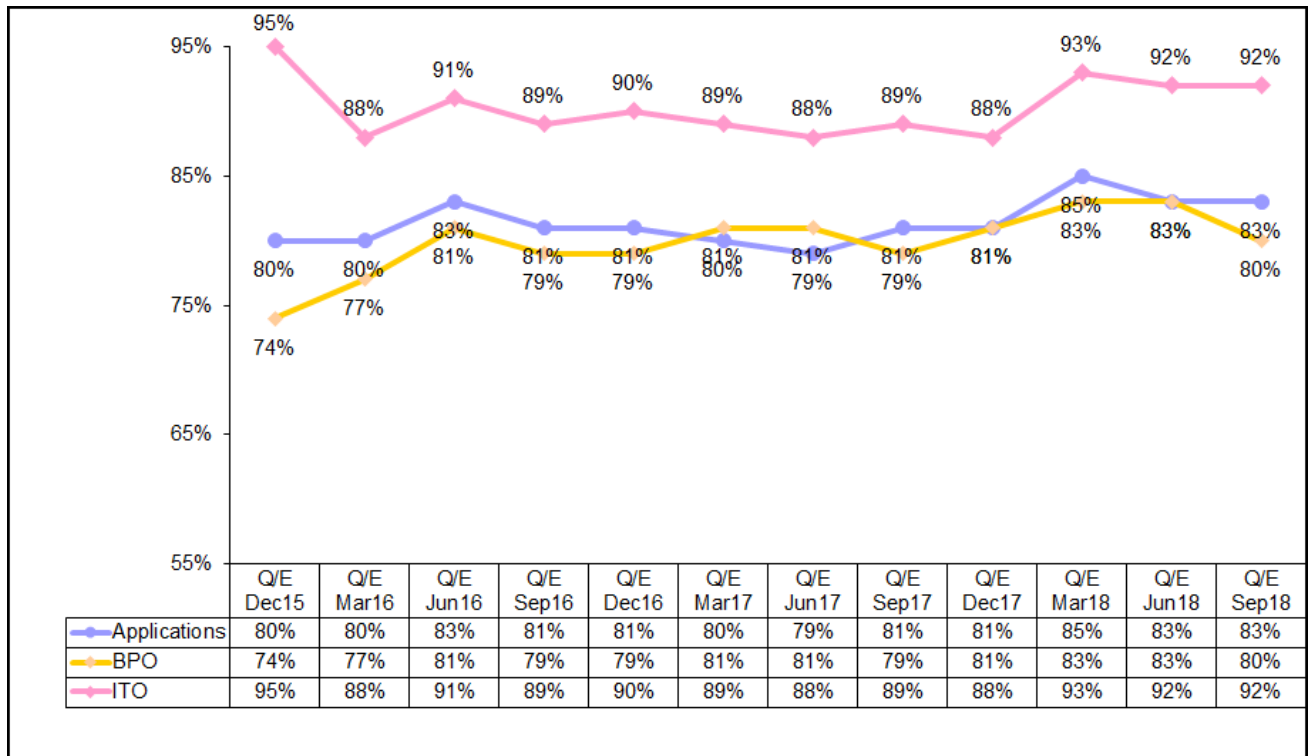
EBITDA



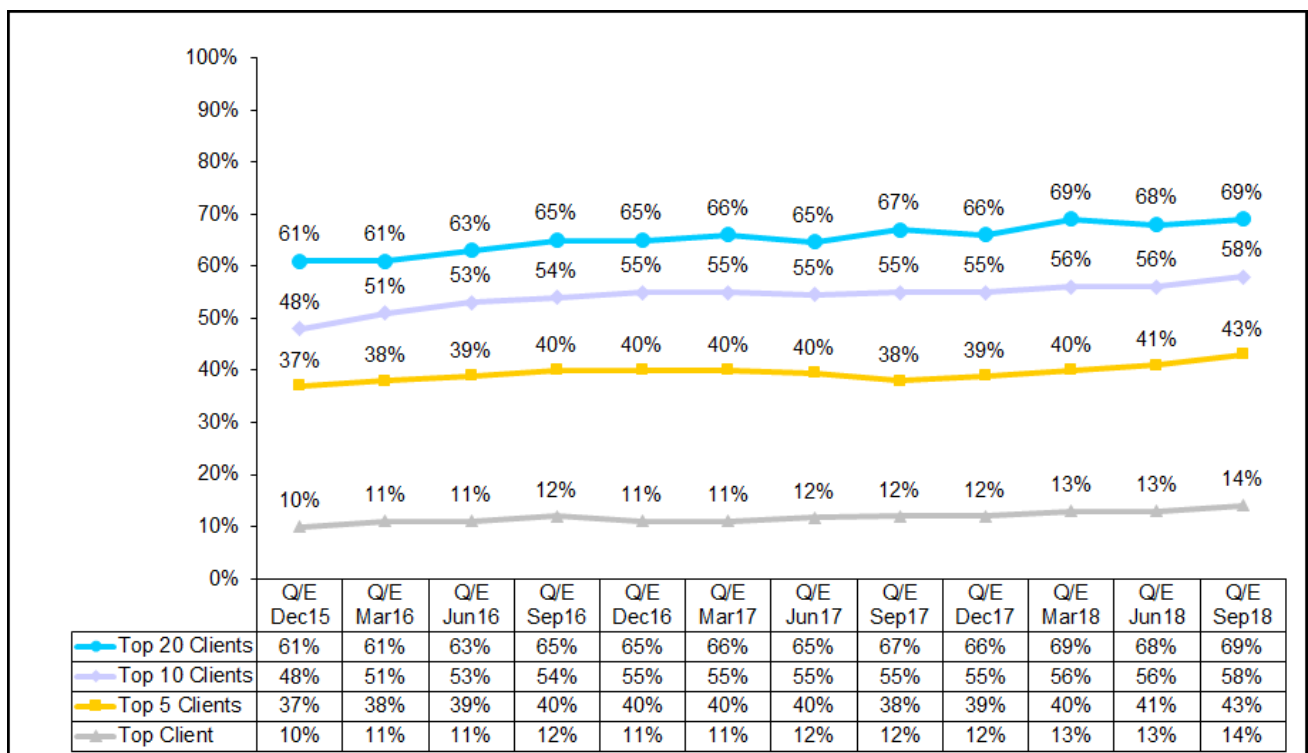
Net Margins



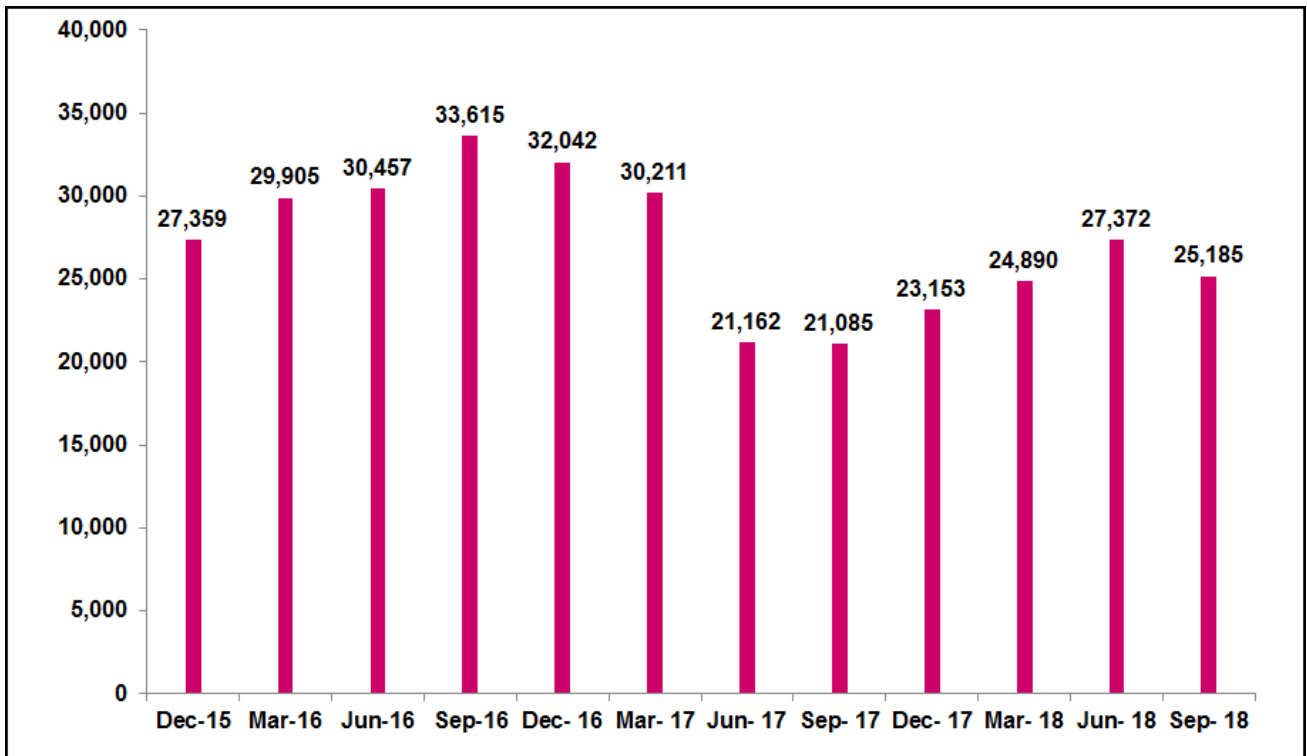
Utilization (including trainees)



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

