

## **Independent Auditors' Report**

### **To the Members of Mphasis Limited**

#### **Report on the Audit of the Standalone Financial Statements**

##### **Opinion**

We have audited the standalone financial statements of Mphasis Limited (“the Company”), which comprise the standalone balance sheet as at 31 March 2019, the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the standalone financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (“the Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

##### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Key Audit Matters**

Key audit matters (‘KAM’) are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditors' Report (Continued)

### Mphasis Limited

#### Description of Key Audit Matters

The key audit matter	How the matter was addressed in our audit
<b>Adoption of Ind AS 115 – Revenue from Contracts with Customers</b>	
<p>As described in Note 21 to the standalone financial statements, the Company has adopted Ind AS 115, Revenue from Contracts with Customers ('Ind AS 115'), the new standard on revenue recognition. The application and transition to this accounting standard is complex and is an audit focus area.</p> <p>The revenue standard establishes a comprehensive framework for determining whether, how much and when revenue should be recognized. This involves certain key judgments relating to identification of distinct performance obligations, determination of the transaction price, allocation of the transaction price to identified performance obligations, and the appropriateness of the revenue recognition methodology. Additionally, the standard mandates robust disclosures in respect of revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p>The Company adopted the cumulative effect method to transition to Ind AS 115, consequently comparative financial information was not restated.</p>	<p>Our audit procedures on adoption of Ind AS 115, Revenue from contracts with Customers ('Ind AS 115'), the new standard on revenue recognition, include the following –</p> <ul style="list-style-type: none"><li>• Evaluated the design and implementation of the processes and internal controls relating to implementation of the new revenue recognition standard</li><li>• Evaluated the detailed analysis performed by management across revenue streams by selecting samples for the existing contracts with customers and verified the appropriateness of identification of distinct performance obligations, determination of the transaction price, allocation of the transaction price to identified performance obligations and the appropriateness of the revenue recognition methodology</li><li>• Evaluated the appropriateness of the adjustments recorded by management as at 1 April 2018 to transition to the new revenue standard, using the cumulative effect method; and</li><li>• Evaluated the appropriateness of the accounting policy and disclosures provided under the new revenue standard and assessed the completeness and mathematical accuracy of the relevant disclosures.</li></ul>

## Independent Auditors' Report (Continued)

### Mphasis Limited

The key audit matter	How the matter was addressed in our audit
<p data-bbox="204 387 544 416"><b>Evaluation of tax positions</b></p> <p data-bbox="204 421 794 719">The Company operates in India and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including direct tax, transfer pricing and indirect tax matters. These involve significant management judgment to determine the possible outcome of the tax litigations, consequently having an impact on related accounting and disclosures in the financial statements.</p> <p data-bbox="204 757 699 786">Refer Note 20 to the financial statements.</p>	<p data-bbox="815 421 1418 488">Our audit procedures include the following substantive procedures:</p> <ul data-bbox="815 495 1418 1160" style="list-style-type: none"><li data-bbox="815 495 1418 562">• Obtained an understanding of key tax litigations and potential tax exposures</li><li data-bbox="815 566 1418 1160">• We along with our internal tax experts -<ul data-bbox="863 595 1418 1160" style="list-style-type: none"><li data-bbox="863 595 1418 757">▪ read and analyzed select key correspondences and consultations carried out by management with external tax experts for key tax litigations and potential tax exposures;</li><li data-bbox="863 763 1418 925">▪ discussed with appropriate senior management and evaluated management's underlying key assumptions and grounds of appeal in estimating the tax provisions; and</li><li data-bbox="863 931 1418 1160">▪ evaluated the status of the recent and current tax assessments / inquiries, results of previous tax assessments and changes in the tax environment to assess management's estimate of the possible outcome of key tax litigations and potential tax exposures.</li></ul></li></ul>

### Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independent Auditors' Report (Continued)**

### **Mphasis Limited**

#### **Management's Responsibility for the Standalone Financial Statements**

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **Independent Auditors' Report (Continued)**

### **Mphasis Limited**

#### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements (Continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

Corresponding figures for the year ended 31 March 2018 have been audited by another auditor who expressed an unmodified opinion dated 10 May 2018 on the standalone financial statements of the Company for the year ended 31 March 2018.

Our opinion on the standalone financial statements is not modified in respect of the above matter.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
  - (A) As required by Section 143(3) of the Act, we report that:
    - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
    - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

## **Independent Auditors' Report (Continued)**

### **Mphasis Limited**

#### **Report on Other Legal and Regulatory Requirements (Continued)**

- (c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 28 to the standalone financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 16 to the standalone financial statements;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
  - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these standalone financial statements since they do not pertain to the financial year ended 31 March 2019.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

*for B S R & Co. LLP*  
*Chartered Accountants*  
Firm's Registration No: 101248W/W-100022

Paris  
27 May 2019

**Amit Somani**  
*Partner*  
Membership No: 060154

**Annexure B to the Independent Auditors' report on the standalone financial statements of Mphasis Limited for the year ended 31 March 2019**

**Report on the Internal Financial Controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**(Referred to in paragraph 1(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Opinion**

We have audited the internal financial controls with reference to standalone financial statements of Mphasis Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

**Management's Responsibility for Internal Financial Controls**

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

## **Mphasis Limited**

### **Annexure B to the Independent Auditors' Report (Continued)**

#### **Meaning of Internal Financial Controls with reference to Financial Statements**

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls with reference to Financial Statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*for B S R & Co. LLP*

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022

Paris  
27 May 2019

**Amit Somani**

*Partner*

Membership No: 060154