



Group Financial Overview and Trends for the Quarter ending 30 Jun 2019

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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 116 standard for leases effective Q1 FY20.

1. Key Highlights

- Gross Revenue grew 0.7% QoQ and 13.1% YoY in Q1 FY20 on reported basis and 2.0% QoQ and 11.5% YoY in Constant Currency.
- Direct Core revenue grew 1.3% QoQ and 19.2% YoY in Q1 FY20 on a reported basis and 2.7% QoQ and 17.2% YoY in Constant Currency.
- DXC/HP revenue grew 0.9% QoQ and 17.5% YoY in Q1 FY20 on a reported basis and 2.5% QoQ and 16.5% YoY in Constant Currency.
- New TCV win of USD 151 million in Q1 FY20 in Direct International.

2. Revenue

a. Overall

- Gross Revenue grew 2.0% QoQ and 11.5% YoY in Constant Currency; impacted by softness in non-strategic ATM business. Excluding ATM business, revenue grew 2.3% QoQ and 11.6% YoY in Constant Currency.

b. Direct International

- Direct International revenue grew 0.9% QoQ and 11.4% YoY on a reported basis in Q1 FY20 and 2.2% QoQ and 9.5% YoY in Constant Currency.
- Direct Core revenue which is 84% of Direct International revenue in Q1 FY20 grew 1.3% QoQ and 19.2% YoY on a reported basis. Revenue grew 2.7% QoQ and 17.2% YoY in Constant Currency.
- Won new deals with TCV of USD 151 million in Q1 FY20 with 80% of the deal wins in New-Gen Services.
- New-Gen Services revenue grew 36% YoY on a reported basis to 50.8% of Direct Core revenue in Q1 FY20.

c. DXC/HP Business

- In Q1 FY20, revenue grew 0.9% QoQ and 17.5% YoY on a reported basis and 2.5% QoQ and 16.5% YoY in Constant Currency
- DXC/HP business contributed 28.4% of the overall gross revenue in Q1 FY19 of which DXC business contributed 24.6% of the overall gross revenue in Q1 FY20.

3. Financial indicators

a. Revenues

Net Revenue grew 1.9% QoQ and 13.3% YoY in Q1 FY20 to ₹20,626 million in reported terms. Net Revenue grew 3.2% QoQ and 11.7% YoY in Constant Currency.

b. Gross Profit

Gross profit increased 1.6% QoQ and 5.2% YoY in Q1 FY20 to ₹5,344 million. Gross Margin remained flat QoQ and declined 200 bps YoY to 25.9%. Gross margin for the quarter has been impacted by higher US visa processing fees, mid-cycle salary increments, one-time client specific provision for receivables and transition impact of certain large deals.

c. Operating Profit (EBIT)

Operating profit declined 0.3% QoQ and improved 5.7% YoY to ₹ 3,193 million in Q1 FY20. Operating margin declined 30 bps QoQ and 110 bps YoY to 15.5% in Q1 FY20.

d. Net Profit

Net profit declined 0.6% QoQ and improved 2.5% YoY to ₹ 2,647 million in Q1 FY20. Net margin declined 30bps QoQ to 12.8%.

4. Cash Management

Cash and cash equivalents increased by ₹ 1,716 million during the quarter to ₹ 21,580 million (USD 313M). Adjusting for ₹ 907 million net loan repayment, operating cash generated during the quarter was ₹ 2,623 million.

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	QoQ Growth %	Quarter ended 30 Jun 2018	YoY Growth %
Gross Revenues	20,607	20,469	0.7%	18,218	13.1%
Adjustment from Hedging Reserve	19	(219)	-108.7%	(16)	218.8%
Net Revenues	20,626	20,250	1.9%	18,202	13.3%
<i>Cost of revenues</i>	15,282	14,992	1.9%	13,123	16.5%
Manpower and Other Cost	14,771	14,815	-0.3%	12,965	13.9%
Depreciation and Amortization	511	177	188.7%	158	223.4%
Gross profit	5,344	5,258	1.6%	5,079	5.2%
<i>Selling expenses</i>	1,181	1,208	-2.2%	1,132	4.3%
Manpower and Other Cost	1,175	1,205	-2.5%	1,129	4.1%
Depreciation and Amortization	6	3	100.0%	3	100.0%
<i>General and administrative expenses</i>	970	846	14.7%	925	4.9%
Manpower and Other Cost	937	826	13.4%	907	3.3%
Depreciation and Amortization	33	20	65.0%	18	83.3%
Operating profit	3,193	3,204	-0.3%	3,022	5.7%
Foreign exchange gain, net	42	(1)	-4300.0%	67	-37.3%
Other income, net	499	333	49.8%	382	30.6%
Interest expenses	(199)	(59)	237.3%	(42)	373.8%
Profit before taxation	3,535	3,477	1.7%	3,429	3.1%
Income taxes	888	815	9.0%	846	5.0%
-Current	1,034	792	30.6%	712	45.2%
-Deferred	(146)	23	-734.8%	134	-209.0%
Net profit	2,647	2,662	-0.6%	2,583	2.5%
Earning per share (par value ₹10)	14.2	14.3	-0.6%	13.4	6.4%

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 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
PROFIT AND LOSS ACCOUNT			
Gross Revenue (\$ Mn)	297.0	291.7	268.7
Gross margin	25.9%	26.0%	27.9%
Selling expenses	5.7%	6.0%	6.2%
General and administrative expenses	4.7%	4.2%	5.1%
Operating margin	15.5%	15.8%	16.6%
EBITDA margin	18.1%	16.8%	17.6%
Net margin*	12.8%	13.1%	14.2%
Effective tax rate*	25.1%	23.4%	24.7%
EPS (Basic)*	14.2	14.3	13.4

Exchange Rates

	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Period Closing Rate	69.02	69.16	68.8
Average Exchange Rate	69.40	70.18	67.8

Consolidated Balance sheet

₹ Millions

	30 Jun 2019	31 Mar 2019	30 Jun 2018
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1,863	1,862	1,933
Reserves and surplus	51,915	50,143	55,063
Employee stock options outstanding	512	493	368
	54,290	52,498	57,364
LOAN FUNDS			
Secured loans	2,417	3,045	853
Unsecured loans	2,104	2,383	1,121
Lease Liability	6,844	-	-
DEFERRED TAX LIABILITY	24	28	32
	65,679	57,954	59,370
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	5,584	5,357	4,552
Accumulated depreciation	(3,431)	(3,244)	(2,683)
Net book value	2,153	2,113	1,868
Right-of-use assets	5,712	-	-
Capital work-in-progress including capital advances	420	406	536
	8,285	2,519	2,404
GOODWILL	19,533	19,585	17,979
INVESTMENTS	15,864	13,292	22,724
DEFERRED TAX ASSETS	969	814	1,492
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	8,650	8,620	6,916
Unbilled revenues	9,113	9,067	6,237
Cash and bank balances	5,716	6,572	4,648
Interest receivable	62	46	52
Loans and advances	12,243	12,226	10,937
	35,784	36,531	28,790
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	11,164	11,687	10,974
Provisions	3,592	3,100	3,045
	14,756	14,787	14,019
NET CURRENT ASSETS	21,028	21,744	14,771
	65,679	57,954	59,370

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 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
BALANCE SHEET				
Cash & cash equivalents	₹ Millions	21,580	19,864	27,372
Receivables	Days	75	78	65

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 ₹ 124million (Q4 FY19 - ₹ 54 million, Q1 FY19 - ₹ 156 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 Jun 2019	Quarter ended 31 Mar 2019	QoQ Growth %	Quarter ended 30 Jun 2018	YoY Growth %
Segment Revenue					
Banking and Capital Market	9,206	9,074	1.5%	8,569	7.4%
Insurance	2,406	2,452	-1.9%	2,052	17.2%
Information Technology, Communication & Entertainment	3,413	3,531	-3.3%	3,139	8.7%
Emerging Industries	5,582	5,411	3.2%	4,458	25.2%
Total Revenues	20,607	20,469	0.7%	18,218	13.1%
Segment Profit					
Banking and Capital Market	2,264	2,230	1.5%	2,302	-1.7%
Insurance	615	703	-12.6%	506	21.4%
Information Technology, Communication & Entertainment	690	680	1.5%	806	-14.4%
Emerging Industries	1,757	1,864	-5.7%	1,480	18.7%
Total Segment Profit	5,325	5,477	-2.8%	5,095	4.5%
Gross Margin %					
Banking and Capital Market	24.6%	24.6%	0.0%	26.9%	-2.3%
Insurance	25.6%	28.7%	-3.1%	24.7%	0.9%
Information Technology, Communication & Entertainment	20.2%	19.2%	1.0%	25.7%	-5.5%
Emerging Industries	31.5%	34.4%	-2.9%	33.2%	-1.7%
Total	25.8%	26.8%	-1.0%	28.0%	-2.2%

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 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Onsite	12,002 58%	11,912 58%	10,472 57%
Offshore	8,605 42%	8,557 42%	7,746 43%
Total	20,607	20,469	18,218

(b) By Project Type

	₹ Millions		
	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Time and Material	15,748 76%	15,778 77%	13,383 73%
Fixed Price	4,859 24%	4,691 23%	4,835 27%
Total	20,607	20,469	18,218

(c) By Secondary Market Segment

	₹ Millions		
	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Direct International	14,086 69%	13,961 68%	12,643 70%
DXC / HP Business	5,858 28%	5,806 28%	4,986 27%
Others	663 3%	702 4%	589 3%
Total	20,607	20,469	18,218

(d) By Geography

	₹ Millions		
	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
AMERICAS	16,242 78%	15,880 78%	14,411 79%
EMEA	2,201 11%	2,341 11%	2,088 11%
INDIA	1,029 5%	1,055 5%	1,155 6%
ROW	1,135 6%	1,193 6%	564 3%
Total	20,607	20,469	18,218

(e) By Service Type

	₹ Millions		
	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Application Maintenance	6,612 33%	6,859 34%	5,494 30%
Application Development	6,833 33%	6,430 31%	5,007 27%
Customer Service	234 1%	233 1%	221 1%
Knowledge Processes	1,541 7%	1,567 8%	2,074 11%
Transaction Processing Service	1,300 6%	1,281 6%	1,200 7%
Service / Technical Help Desk	1,537 8%	1,460 7%	1,498 9%
Infrastructure Management Services	2,521 12.2%	2,599 13%	2,705 15%
License Income	29 0%	40 0%	19 0%
Total	20,607	20,469	18,218

(f) Client Concentration

	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Revenues from Top Client	15%	14%	13%
Revenues from Top 5 Clients	48%	47%	41%
Revenues from Top 10 Clients	61%	60%	56%
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	17	17	18
- <i>Direct Channel</i>	13	13	15
- <i>DXC / HP Channel</i>	4	4	3
\$ 5 million Revenues	33	33	37
- <i>Direct Channel</i>	25	25	24
- <i>DXC / HP Channel</i>	8	8	13
\$ 1 million Revenues	96	94	93
- <i>Direct Channel</i>	67	62	61
- <i>DXC / HP Channel</i>	29	32	32

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

Tower Information

(a) Headcount*

	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Onsite			
- Application Services	3,246	3,277	2,550
- ITO Services / IS	1,522	1,293	1,087
- BPO Services	951	851	914
Offshore			
- Application Services	10,312	9,742	8,680
- ITO Services / IS	2,789	2,723	3,075
- BPO Services	5,474	5,384	5,092
Sales and Marketing	282	293	270
General and Administration	923	921	898
Total	25,500	24,485	22,566

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
Excluding Trainees			
Onsite			
- Application Services	93%	95%	92%
- ITO Services / IS	99%	99%	99%
Offshore			
- Application Services	82%	83%	83%
- ITO Services / IS	95%	89%	90%
- BPO Services	87%	91%	94%
Blended			
- Application Services	85%	87%	85%
- ITO Services / IS	96%	93%	93%
- BPO Services	87%	91%	94%
Including Trainees			
Onsite			
- Application Services	93%	95%	92%
- ITO Services / IS	99%	99%	99%
Offshore			
- Application Services	79%	81%	80%
- ITO Services / IS	94%	89%	89%
- BPO Services	76%	81%	83%
Blended			
- Application Services	83%	84%	83%
- ITO Services / IS	96%	93%	92%
- BPO Services	77%	81%	83%

(c) Billing Rates

	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 30 Jun 2018
			\$/Hr
Onsite			
Application Services	90	90	85
ITO Services / IS	78	86	86
Offshore			
Application Services	23	23	22
ITO Services / IS	24	24	24
BPO Services	11	11	10

Other details

New Client wins

	Quarter ended 30 Jun 2019	Quarter ended 31 Mar 2019	Quarter ended 31 Jun 2018
Banking and Capital Market	7	12	4
Insurance	1	2	-
Information Technology, Communication & Entertainment	5	5	1
Emerging Industries	6	4	7
Total client additions	19	23	12
Direct Channel	12	19	7
DXC / HP Channel	7	4	5
Total client additions	19	23	12

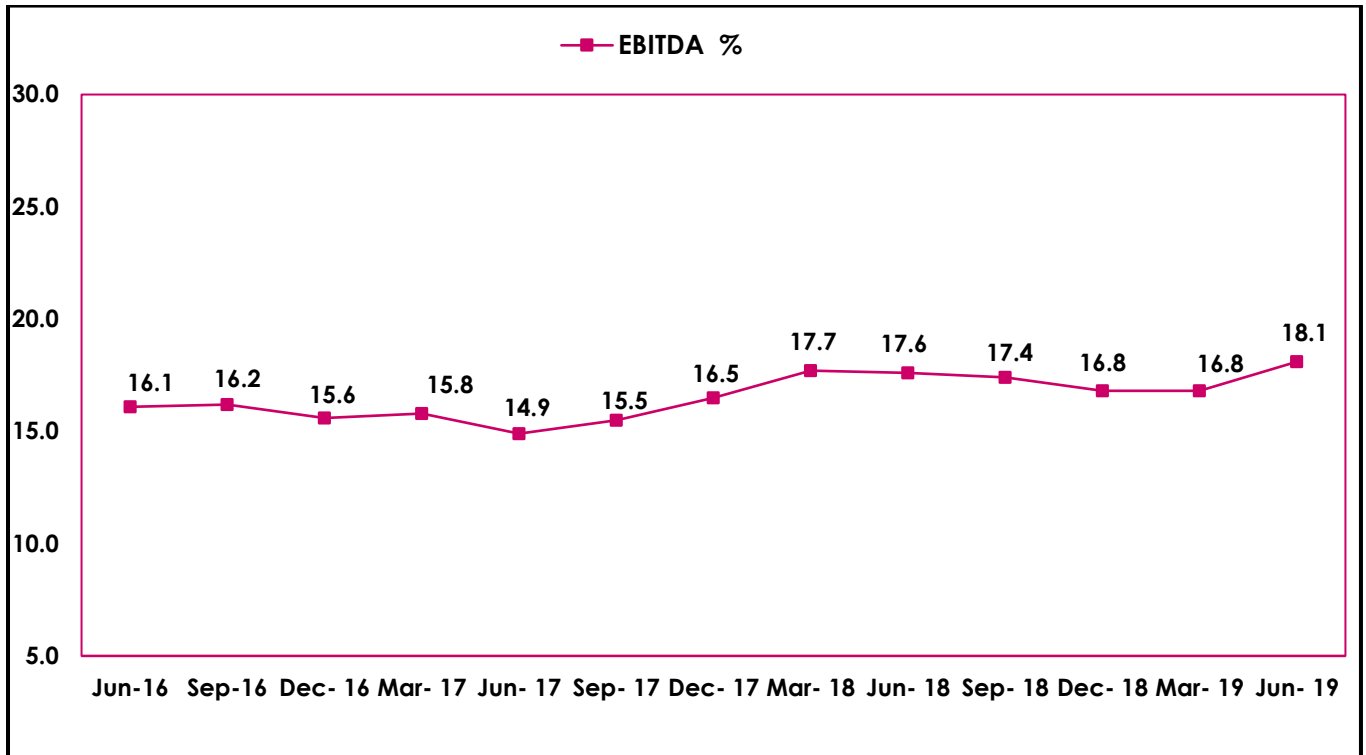
Hedge

	As at 30 Jun 2019	As at 31 Mar 2019	As at 30 Jun 2018
Hedge amount - Millions			
USD	546	527	558
AUD	12	11	12
GBP	19	19	25
EUR	27	25	27
SGD	1	1	-
CAD	10	10	9
Average hedge rate including premia	₹	₹	₹
USD	72.93	72.14	68.40
AUD	52.87	53.70	52.24
GBP	98.07	98.48	93.58
EUR	86.29	86.99	84.16
SGD	51.28	52.30	-
CAD	54.53	54.11	53.20

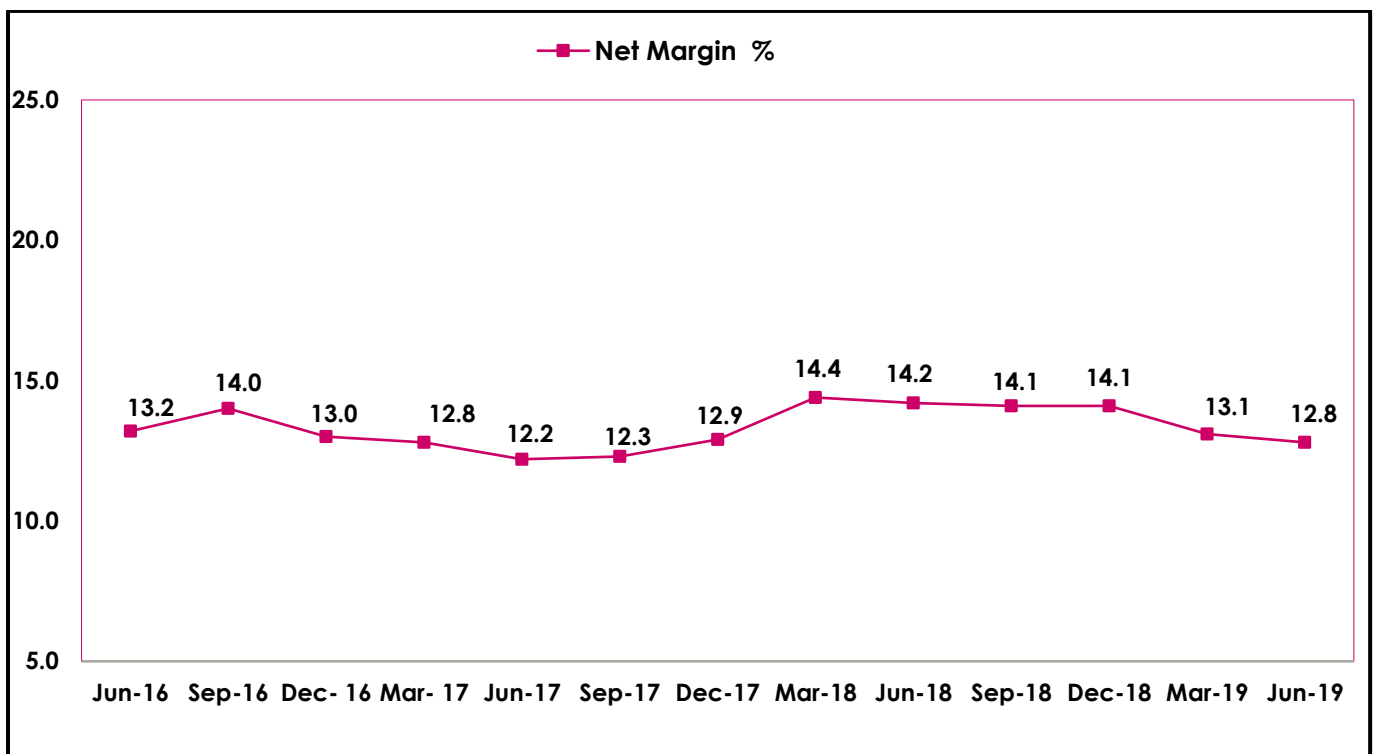
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the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

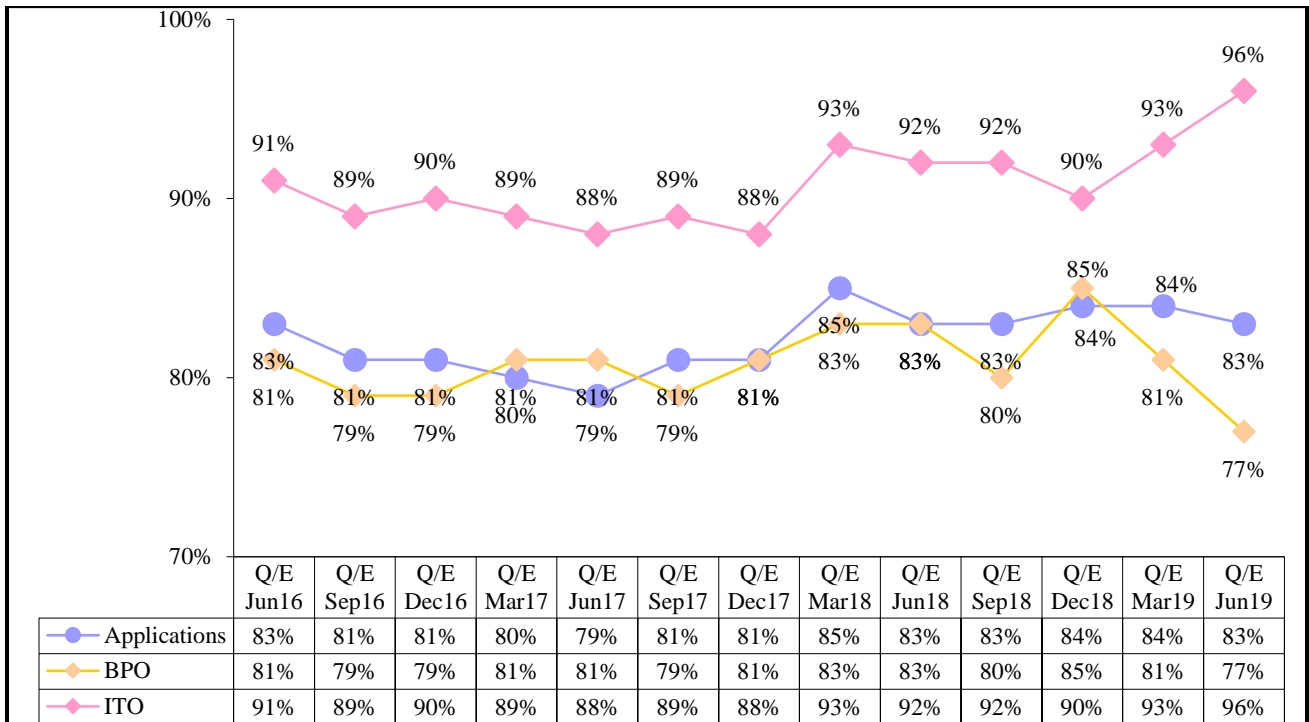
EBITDA



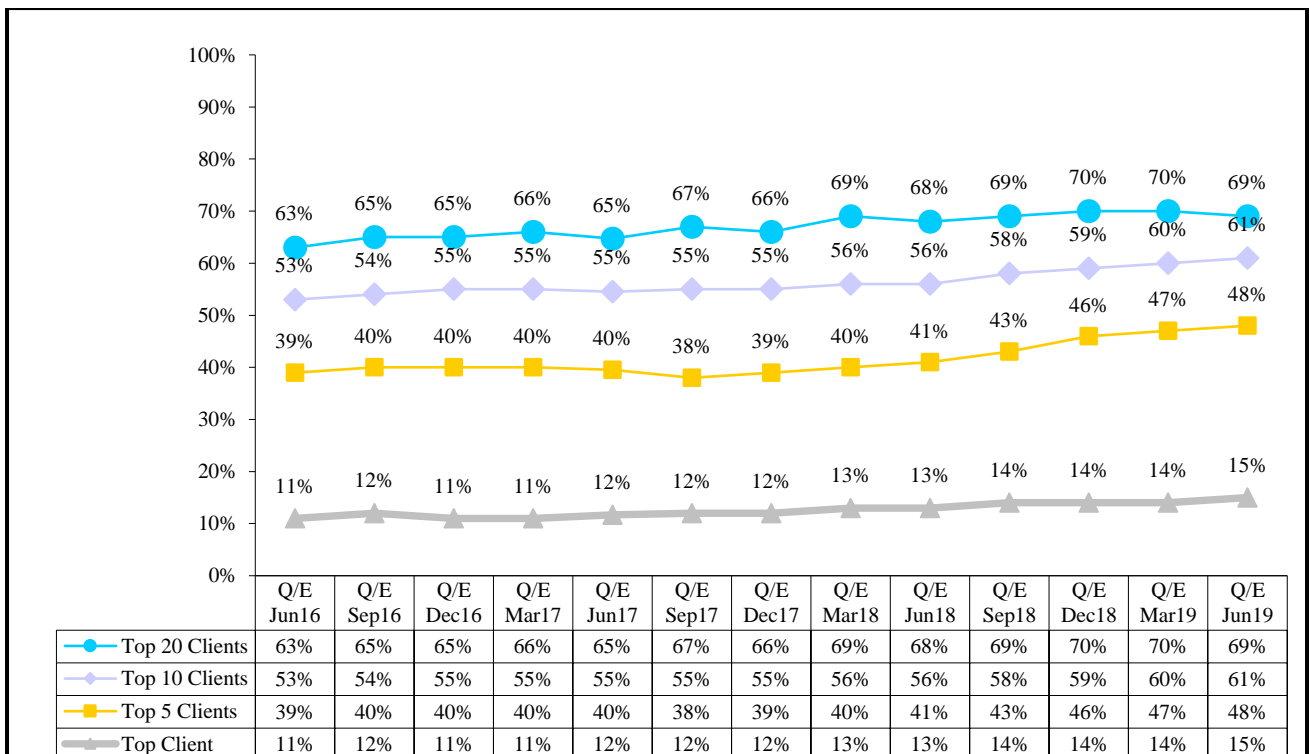
Net Margins



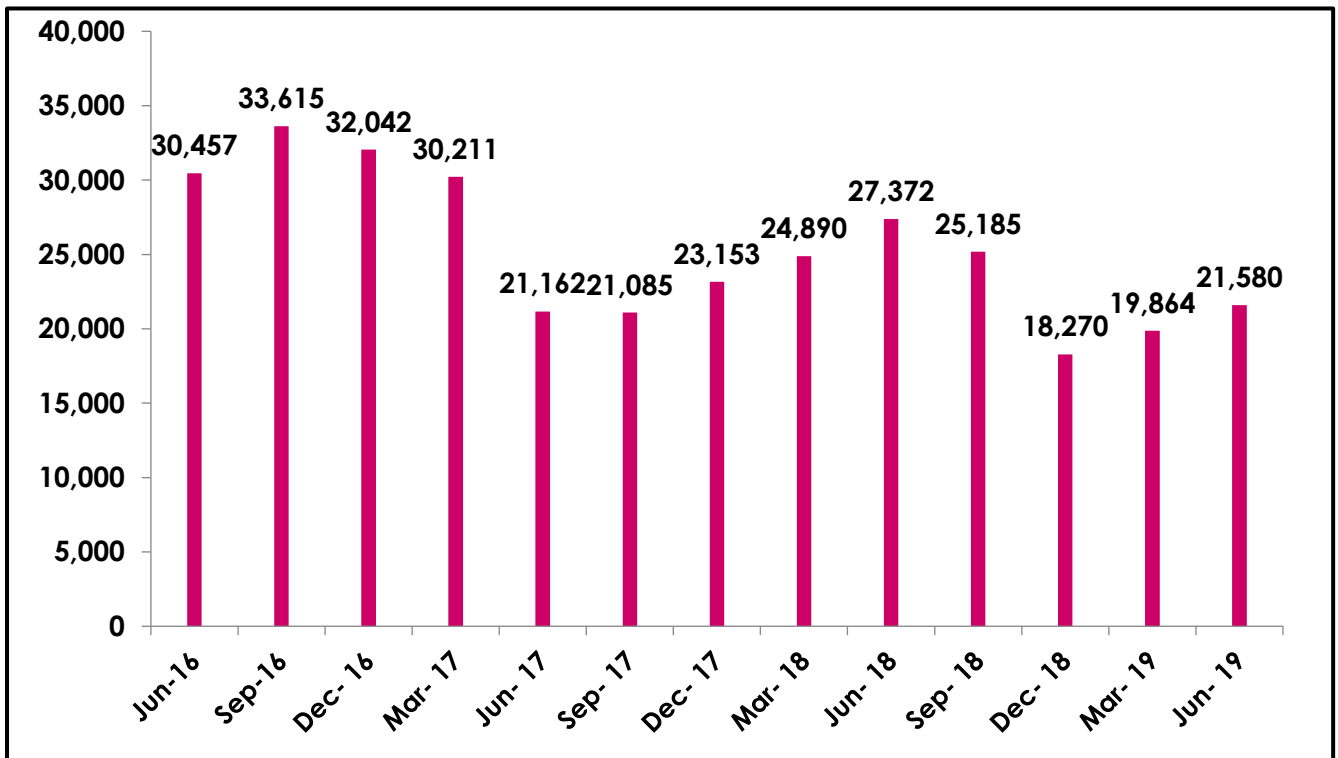
Utilization (including trainees)



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

