



Group Financial Overview and Trends for the Quarter ending 30 Sep 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 4.1% QoQ and 10.2% YoY in Q2 FY20 on reported basis and 3.1% QoQ and 11.6% YoY in Constant Currency.
- Direct Core revenue grew 4.3% QoQ and 15.1% YoY in Q2 FY20 on a reported basis and 3.1% QoQ and 16.4% YoY in Constant Currency.
- DXC/HP revenue grew 1.0% QoQ and 7.4% YoY in Q2 FY20 on a reported basis and 0.1% QoQ and 9.5% YoY in Constant Currency.
- New TCV win of USD 174 million in Q2 FY20 in Direct International.
- Net profit grew 3.2% QoQ to ₹ 2,733 million in Q2 FY20
- EPS grew 3.2% QoQ and 4.7% YoY to ₹ 14.7

2. Revenue

a. Overall

- Gross Revenue grew 3.1% QoQ and 11.6% YoY in Constant Currency. Excluding non-strategic ATM and India Government businesses, revenue grew 3.1% QoQ and 12.4% YoY in Constant Currency.

b. Direct International

- Direct International revenue grew 5.5% QoQ and 12.2% YoY on a reported basis in Q2 FY20 and 4.3% QoQ and 13.4% YoY in Constant Currency.
- Direct Core revenue which is 83% of Direct International revenue in Q2 FY20 grew 4.3% QoQ and 15.1% YoY on a reported basis. Revenue grew 3.1% QoQ and 16.4% YoY in Constant Currency.
- Won new deals with TCV of USD 174 million in Q2 FY20 with 77% of the deal wins in New-Gen Services.
- New-Gen Services revenue grew 30% YoY on a reported basis to 51.7% of Direct Core revenue in Q2 FY20.

c. DXC/HP Business

- In Q2 FY20, revenue grew 1.0% QoQ and 7.4% YoY on a reported basis and 0.1% QoQ and 9.5% YoY in Constant Currency
- DXC/HP business contributed 27.6% of the overall gross revenue in Q2 FY20 of which DXC business contributed 24.1% of the overall gross revenue in Q2 FY20.

3. Financial indicators**a. Revenues**

Net Revenue grew 4.6% QoQ and 12.7% YoY in Q2 FY20 to ₹21,581 million in reported terms. Net Revenue grew 3.6% QoQ and 14.1% YoY in Constant Currency.

b. Gross Profit

Gross profit increased 6.2% QoQ and 8.8% YoY in Q2 FY20 to ₹5,676 million. Gross Margin improved 40 bps QoQ and declined 90 bps YoY to 26.3%.

c. Operating Profit (EBIT)

Operating profit increased 8.7% QoQ and 10.3% YoY to ₹ 3,470 million in Q2 FY20. Operating margin improved 60 bps QoQ and declined 30 bps YoY to 16.1% in Q2 FY20.

d. Net Profit

Net profit increased 3.2% QoQ and 0.9% YoY to ₹ 2,733 million in Q2 FY20. Net margin remained flat QoQ at 12.7%.

4. Cash Management

Cash and cash equivalents decreased by ₹ 3,558 million during the quarter to ₹ 18,022 million (USD 254M). Adjusting for ₹ 6,065 million dividend pay-out, operating cash generated during the quarter was ₹ 2,507 million.

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	QoQ Growth %	Quarter ended 30 Sep 2018	YoY Growth %
Gross Revenues	21,462	20,607	4.1%	19,479	10.2%
Adjustment from Hedging Reserve	119	19	526.3%	(330)	
Net Revenues	21,581	20,626	4.6%	19,149	12.7%
<i>Cost of revenues</i>	15,905	15,282	4.1%	13,932	14.2%
Manpower and Other Cost	15,361	14,771	4.0%	13,770	11.6%
Depreciation and Amortization	544	511	6.5%	162	235.8%
Gross profit	5,676	5,344	6.2%	5,217	8.8%
<i>Selling expenses</i>	1,203	1,181	1.9%	1,203	0.0%
Manpower and Other Cost	1,197	1,175	1.9%	1,200	-0.3%
Depreciation and Amortization	6	6	0.0%	3	100.0%
<i>General and administrative expenses</i>	1,003	970	3.4%	869	15.4%
Manpower and Other Cost	971	937	3.6%	850	14.2%
Depreciation and Amortization	32	33	-3.0%	19	68.4%
Operating profit	3,470	3,193	8.7%	3,145	10.3%
Foreign exchange gain, net	49	42	16.7%	26	88.5%
Other income, net	302	499	-39.5%	441	-31.5%
Interest expenses	(217)	(199)	9.0%	(26)	734.6%
Profit before taxation	3,604	3,535	2.0%	3,586	0.5%
Income taxes	871	888	-1.9%	877	-0.7%
-Current	862	1,034	-16.6%	917	-6.0%
-Deferred	9	(146)		(40)	
Net profit	2,733	2,647	3.2%	2,709	0.9%
Earning per share (par value ₹10)	14.7	14.2	3.2%	14.0	4.7%

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 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
PROFIT AND LOSS ACCOUNT			
Gross Revenue (\$ Mn)	304.7	297.0	275.6
Gross margin	26.3%	25.9%	27.2%
Selling expenses	5.6%	5.7%	6.3%
General and administrative expenses	4.6%	4.7%	4.5%
Operating margin	16.1%	15.5%	16.4%
EBITDA margin	18.8%	18.1%	17.4%
Net margin*	12.7%	12.8%	14.1%
Effective tax rate*	24.2%	25.1%	24.5%
EPS (Basic)*	14.7	14.2	14.0

*Before Exceptional Item

Exchange Rates

	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Period Closing Rate	70.88	69.02	72.70
Average Exchange Rate	70.43	69.40	70.67

Consolidated Balance sheet

₹ Millions

	30 Sep 2019	30 Jun 2019	30 Sep 2018
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1,864	1,863	1,934
Reserves and surplus	48,902	51,915	53,239
Employee stock options outstanding	547	512	413
	51,313	54,290	55,586
LOAN FUNDS			
Secured loans	2,340	2,417	2,181
Unsecured loans	2,197	2,104	-
Lease Liability	6,947	6,844	-
Deferred Tax Liability	48	24	19
	62,845	65,679	57,786
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	5,901	5,584	5,010
Accumulated depreciation	(3,673)	(3,431)	(3,005)
Net book value	2,228	2,153	2,005
Right-of-use assets	5,904	5,712	-
Capital work-in-progress including capital advances	456	420	412
	8,588	8,285	2,417
GOODWILL	20,046	19,533	19,002
INVESTMENTS	14,082	15,864	18,647
DEFERRED TAX ASSETS	1,090	969	2,162
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	8,331	8,650	7,799
Unbilled revenues	8,855	9,113	6,748
Cash and bank balances	3,940	5,716	6,538
Interest receivable	50	62	62
Loans and advances	11,820	12,243	10,212
	32,996	35,784	31,359
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	10,600	11,164	12,960
Provisions	3,357	3,592	2,841
	13,957	14,756	15,801
NET CURRENT ASSETS	19,039	21,028	15,558
	62,845	65,679	57,786

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 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
BALANCE SHEET				
Cash & cash equivalents	₹ Millions	18,022	21,580	25,185
Receivables	Days	70	75	67

Cash and bank balance and Investment of cash surplus

Cash and cash equivalents consist 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 ₹ 124 million (Q1 FY20 - ₹ 124 million, Q2 FY19 - ₹ 176 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 2019	Quarter ended 30 Jun 2019	QoQ Growth %	Quarter ended 30 Sep 2018	YoY Growth %
Segment Revenue					
Banking and Capital Market	9,834	9,206	6.8%	8,964	9.7%
Insurance	2,414	2,406	0.4%	2,199	9.8%
Information Technology, Communication & Entertainment	3,459	3,413	1.4%	3,316	4.3%
Emerging Industries	5,754	5,582	3.1%	5,000	15.1%
Total Revenues	21,462	20,607	4.1%	19,479	10.2%
Segment Profit					
Banking and Capital Market	2,466	2,264	8.9%	2,538	-2.8%
Insurance	670	615	9.0%	591	13.3%
Information Technology, Communication & Entertainment	670	690	-2.9%	803	-16.6%
Emerging Industries	1,750	1,757	-0.4%	1,615	8.4%
Total Segment Profit	5,556	5,325	4.3%	5,547	0.2%
Gross Margin %					
Banking and Capital Market	25.1%	24.6%	0.5%	28.3%	-3.2%
Insurance	27.7%	25.6%	2.1%	26.9%	0.8%
Information Technology, Communication & Entertainment	19.4%	20.2%	-0.8%	24.2%	-4.8%
Emerging Industries	30.4%	31.5%	-1.1%	32.3%	-1.9%
Total	25.9%	25.8%	0.1%	28.5%	-2.6%

Note: Segment revenue is gross of adjustment from hedging reserve. Segment profit represents profit before exceptional item.

Emerging Industries segment include Healthcare, Transportation and logistics, Manufacturing etc

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 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Onsite	12,500 58%	12,002 58%	11,294 58%
Offshore	8,962 42%	8,605 42%	8,185 42%
Total	21,462	20,607	19,479

(b) By Project Type

	₹ Millions		
	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Time and Material	15,881 74%	15,748 76%	14,691 75%
Fixed Price	5,581 26%	4,859 24%	4,788 25%
Total	21,462	20,607	19,479

(c) By Secondary Market Segment

	₹ Millions		
	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Direct International	14,864 69%	14,086 69%	13,242 68%
DXC / HP Business	5,917 28%	5,858 28%	5,511 28%
Others	681 3%	663 3%	725 4%
Total	21,462	20,607	19,479

(d) By Geography

	₹ Millions		
	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
AMERICAS	17,005 80%	16,242 78%	15,610 80%
EMEA	2,176 10%	2,201 11%	2,103 11%
INDIA	1,131 5%	1,029 5%	1,136 6%
ROW	1,150 5%	1,135 6%	630 3%
Total	21,462	20,607	19,479

(e) By Service Type

	₹ Millions		
	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Application Maintenance	6,502 30%	6,612 33%	6,705 34%
Application Development	7,161 33%	6,833 33%	5,397 28%
Customer Service	228 1%	234 1%	199 1%
Knowledge Processes	1,835 9%	1,541 7%	1,913 10%
Transaction Processing Service	1,423 7%	1,300 6%	1,221 6%
Service / Technical Help Desk	1,547 7%	1,537 8%	1,260 7%
Infrastructure Management Services	2,694 13%	2,521 12%	2,760 14%
License Income	72 0%	29 0%	24 0%
Total	21,462	20,607	19,479

(f) Client Concentration

	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Revenues from Top Client	15%	15%	14%
Revenues from Top 5 Clients	49%	48%	43%
Revenues from Top 10 Clients	60%	61%	58%
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	19
- <i>Direct Channel</i>	13	13	15
- <i>DXC / HP Channel</i>	4	4	4
\$ 5 million Revenues	35	33	36
- <i>Direct Channel</i>	26	25	24
- <i>DXC / HP Channel</i>	9	8	12
\$ 1 million Revenues	104	96	95
- <i>Direct Channel</i>	72	67	63
- <i>DXC / HP Channel</i>	32	29	32

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

Tower Information

(a) Headcount*

	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Onsite			
- Application Services	3,309	3,246	2,991
- ITO Services / IS	1,547	1,522	1,312
- BPO Services	1,080	951	914
Offshore			
- Application Services	10,995	10,312	8,962
- ITO Services / IS	2,867	2,789	2,994
- BPO Services	5,958	5,474	5,140
Sales and Marketing	280	282	270
General and Administration	927	923	895
Total	26,964	25,500	23,478

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Excluding Trainees			
Onsite			
- Application Services	92%	93%	91%
- ITO Services / IS	98%	99%	99%
Offshore			
- Application Services	82%	82%	83%
- ITO Services / IS	95%	95%	90%
- BPO Services	89%	87%	91%
Blended			
- Application Services	84%	85%	85%
- ITO Services / IS	96%	96%	93%
- BPO Services	89%	87%	91%
Including Trainees			
Onsite			
- Application Services	92%	93%	91%
- ITO Services / IS	98%	99%	99%
Offshore			
- Application Services	79%	79%	80%
- ITO Services / IS	94%	94%	89%
- BPO Services	78%	76%	80%
Blended			
- Application Services	82%	83%	83%
- ITO Services / IS	96%	96%	92%
- BPO Services	78%	77%	80%

(c) Billing Rates

	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
\$/Hr			
Onsite			
Application Services	92	90	86
ITO Services / IS	77	78	86
Offshore			
Application Services	23	23	22
ITO Services / IS	26	24	23
BPO Services	12	11	10

Other details

New Client wins

	Quarter ended 30 Sep 2019	Quarter ended 30 Jun 2019	Quarter ended 30 Sep 2018
Banking and Capital Market	4	7	3
Insurance	2	1	-
Information Technology, Communication & Entertainment	2	5	-
Emerging Industries	7	6	9
Total client additions	15	19	12
Direct Channel	7	12	5
DXC / HP Channel	8	7	7
Total client additions	15	19	12

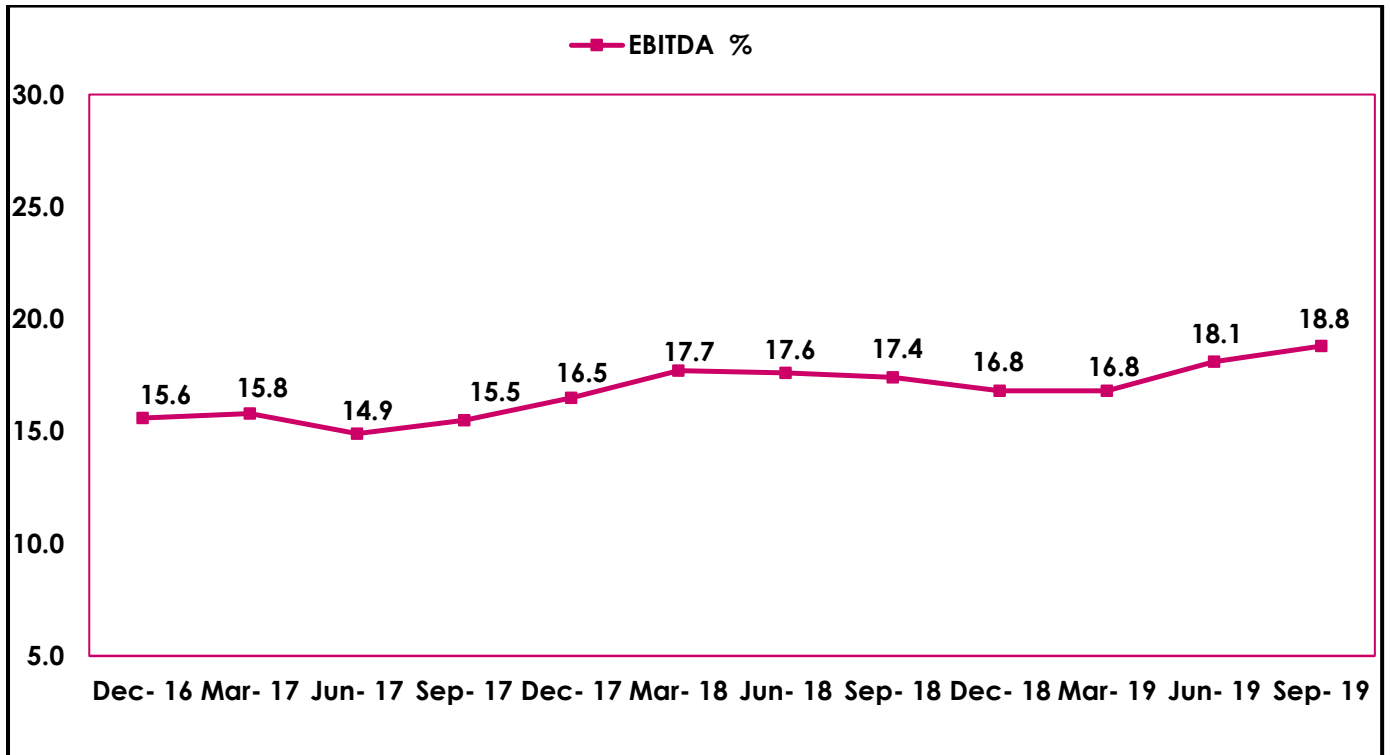
Hedge

	As at 30 Sep 2019	As at 30 Jun 2019	As at 30 Sep 2018
Hedge amount - Millions			
USD	575	546	529
AUD	13	12	13
GBP	18	19	24
EUR	27	27	28
SGD	1	1	-
CAD	10	10	9
Average hedge rate including premia	₹	₹	₹
USD	73.69	72.93	69.74
AUD	52.42	52.87	53.16
GBP	98.16	98.07	95.98
EUR	85.63	86.29	86.35
SGD	51.94	51.28	-
CAD	54.86	54.53	54.96

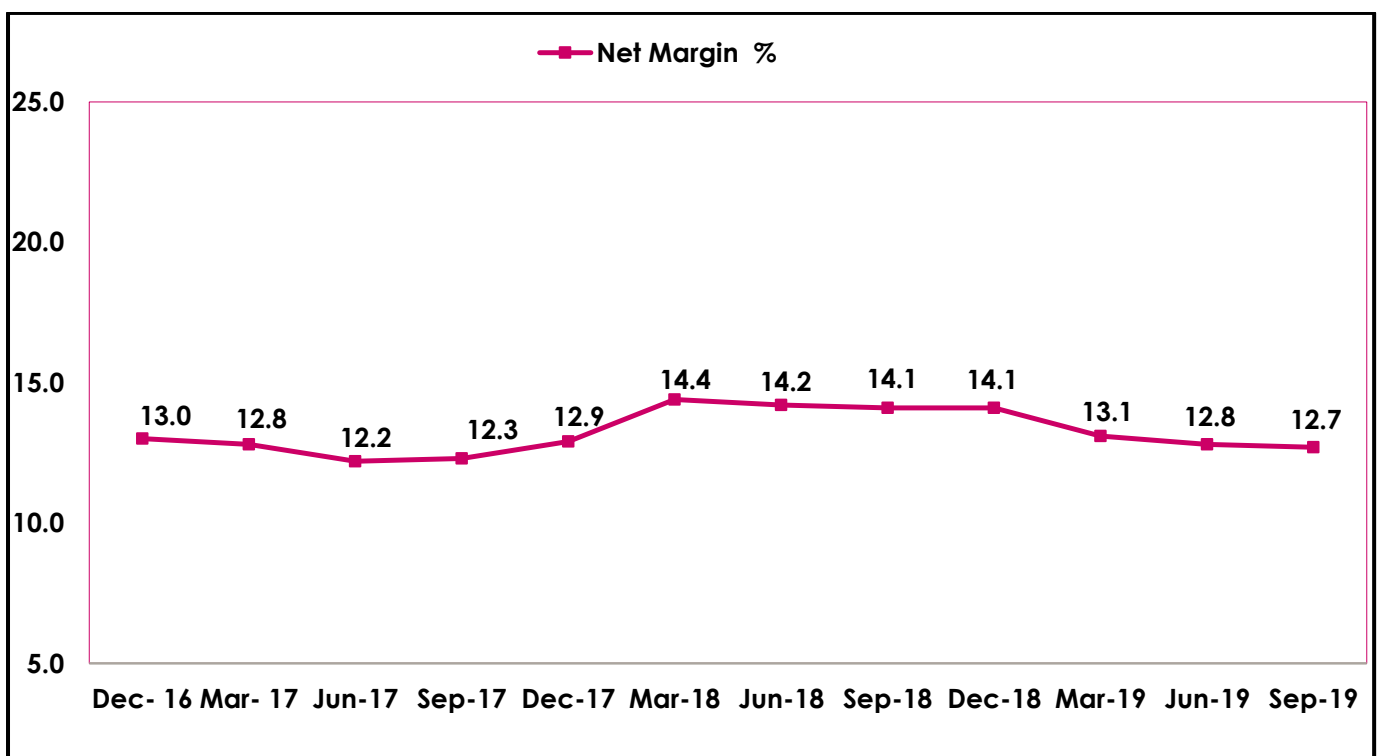
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the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

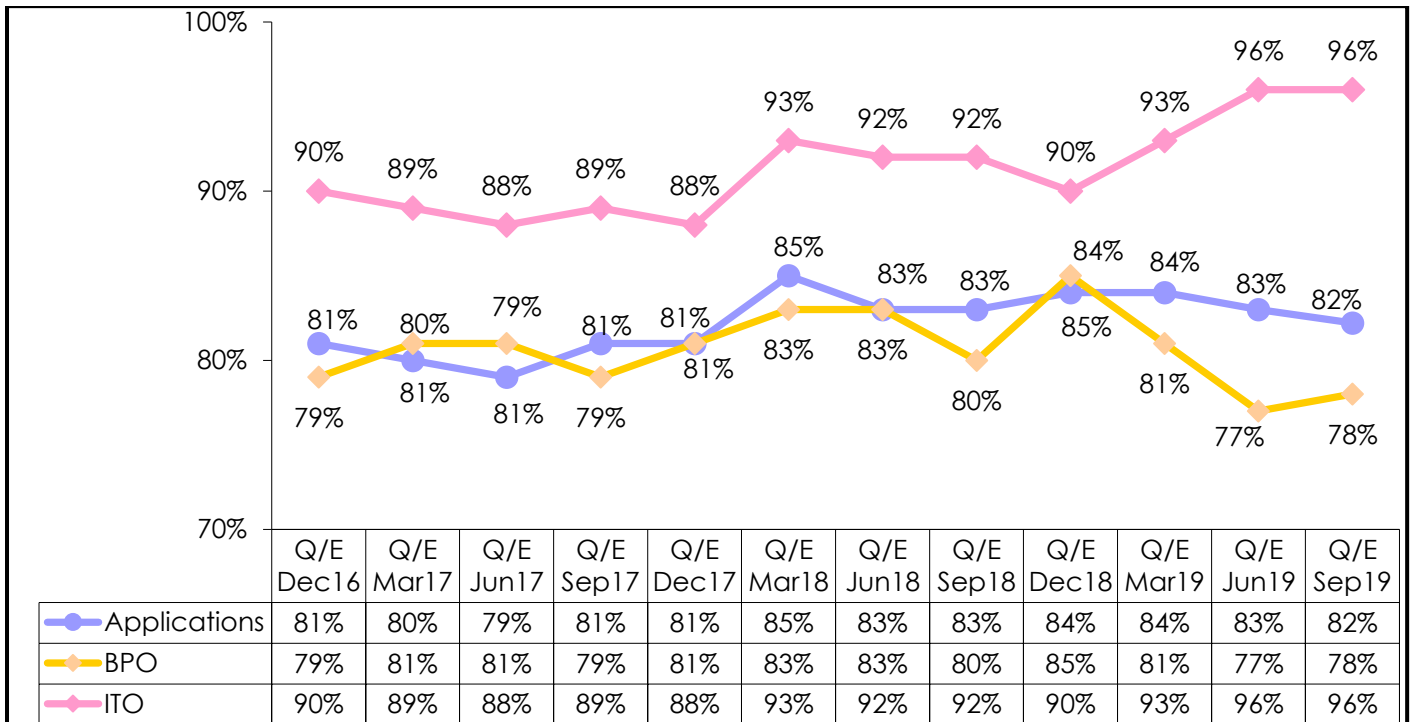
EBITDA



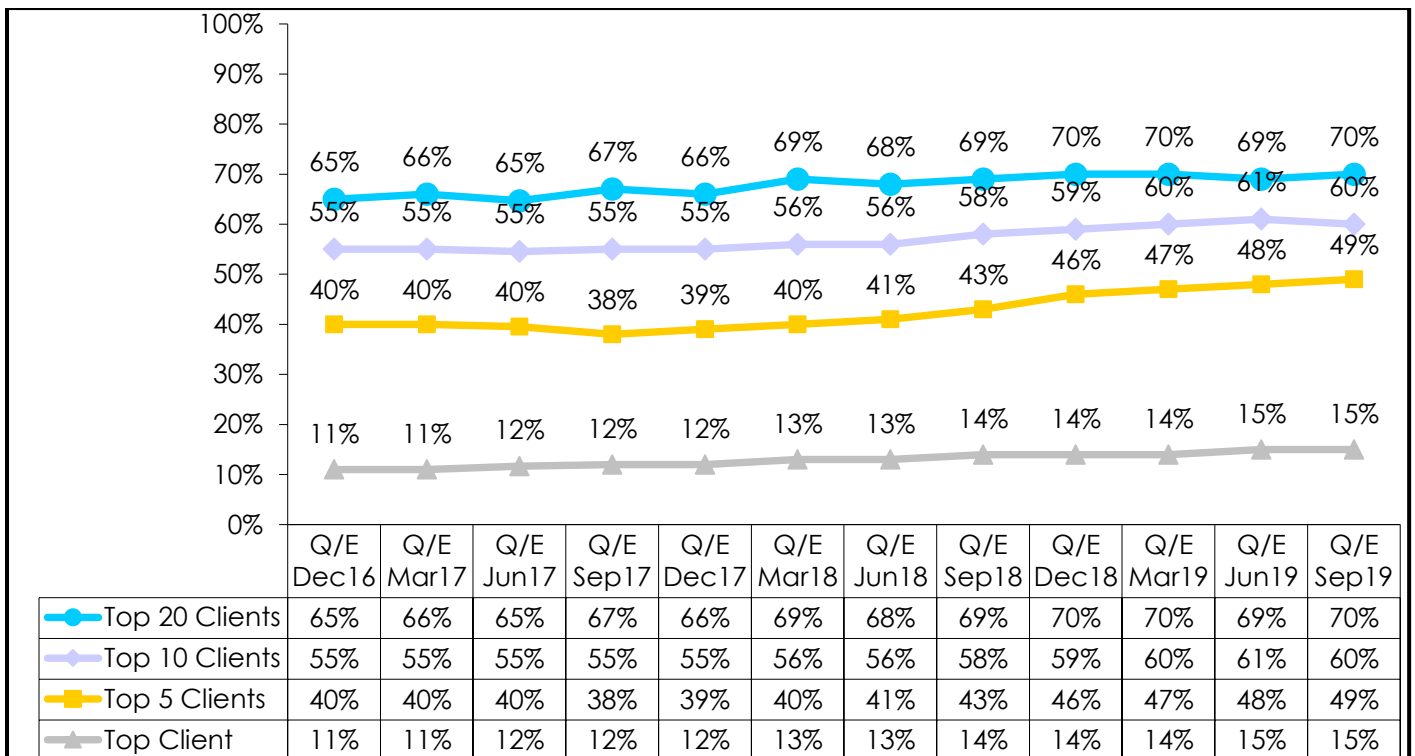
Net Margins



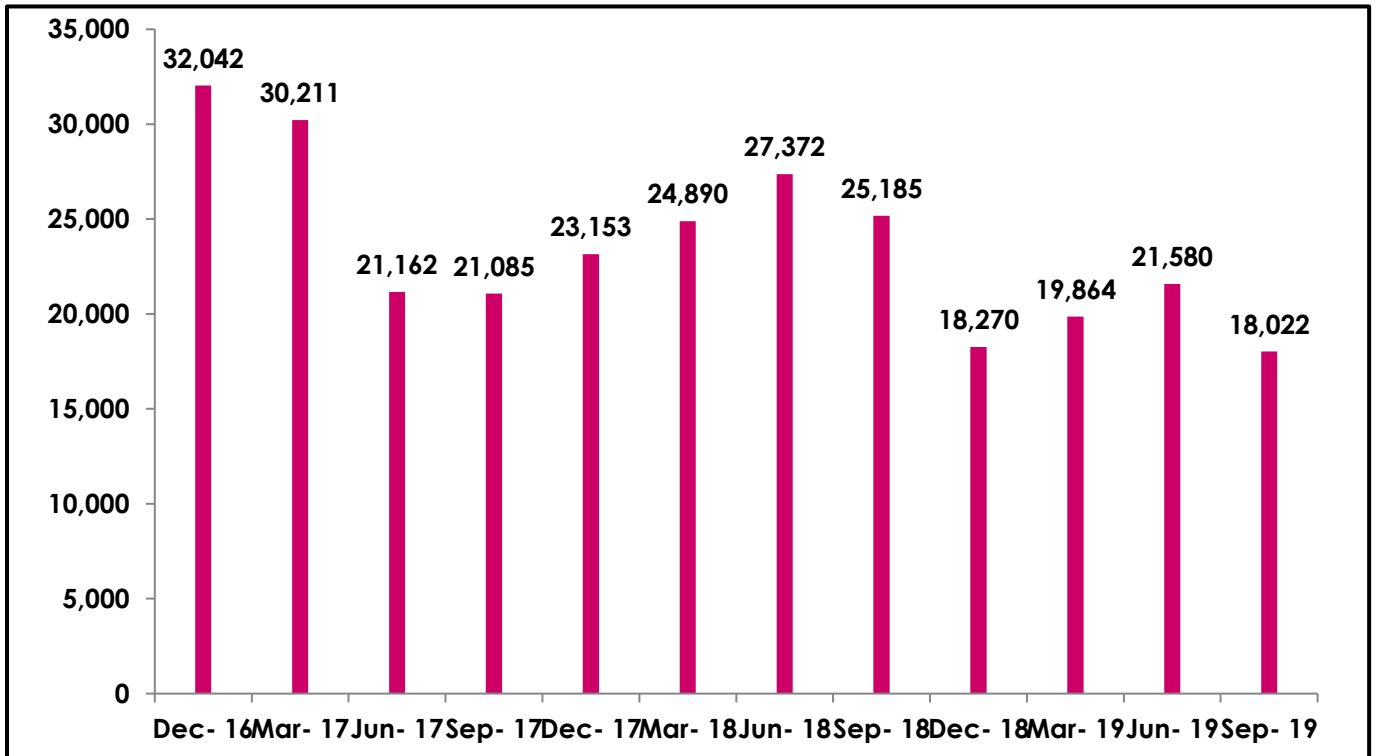
Utilization (including trainees)



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

