



**Audited condensed consolidated interim financial statements
for the quarter and nine months ended 31 December 2020**

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Mphasis Limited
Condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET	(₹ million)	
	As at 31 December 2020	As at 31 March 2020
ASSETS		
Non-current assets		
Property, plant and equipment	2,019.37	1,699.74
Capital work-in-progress	122.59	73.80
Right-of-use assets	5,760.54	6,236.41
Goodwill	21,304.49	21,404.74
Other intangible assets	884.58	794.04
Intangible assets under development	231.64	93.22
Financial assets		
Investments	2,444.30	3,478.70
Loans	539.52	640.68
Other financial assets	316.66	164.71
Deferred tax assets (net)	1,318.36	2,157.46
Income tax assets (net)	5,039.81	4,882.58
Other assets	1,003.52	1,778.27
Total non-current assets	40,985.38	43,404.35
Current assets		
Financial assets		
Investments	15,103.80	9,777.80
Trade receivables	9,289.09	8,352.52
Unbilled receivables	8,945.18	9,343.02
Cash and cash equivalents	6,733.89	9,880.01
Bank balances other than cash and cash equivalents	2,242.92	1,377.02
Loans	1,353.92	1,409.11
Other financial assets	1,246.85	548.05
Other assets	3,724.64	3,443.03
Total current assets	48,640.29	44,130.56
TOTAL ASSETS	89,625.67	87,534.91
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,867.39	1,865.43
Other equity	59,875.88	56,430.56
Total equity	61,743.27	58,295.99
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Lease liabilities	5,474.35	5,844.40
Other financial liabilities	66.50	630.82
Other liabilities	562.18	-
Employee benefit obligations	678.32	697.90
Deferred tax liabilities (net)	541.42	137.32
Income tax liabilities (net)	241.41	256.81
Total non-current liabilities	7,564.18	7,567.25
Current liabilities		
Financial liabilities		
Borrowings	5,490.48	5,712.85
Lease liabilities	1,261.95	1,396.60
Trade payables		
- outstanding dues to micro and small enterprises	4.81	5.07
- outstanding dues to creditors other than micro and small enterprises	5,540.10	6,661.74
Other financial liabilities	3,351.20	4,162.71
Other liabilities	2,836.79	2,377.29
Employee benefit obligations	981.09	720.46
Provisions	228.27	68.30
Income tax liabilities (net)	623.53	566.65
Total current liabilities	20,318.22	21,671.67
TOTAL EQUITY AND LIABILITIES	89,625.67	87,534.91

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.
As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

for and on behalf of the Board of Directors

Amit Somani

Partner

Membership No. 060154

Nitin Rakesh

Chief Executive Officer

New York

Narayanan Kumar

Director

Chennai

Manish Dugar

Chief Financial Officer

Bengaluru

21 January 2021

Subramanian Narayan

Vice President & Company Secretary

Bengaluru

Bengaluru

21 January 2021

Mphasis Limited
Condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS				(₹ million)
	Quarter ended 31 December 2020	Quarter ended 31 December 2019	Nine months ended 31 December 2020	Nine months ended 31 December 2019
Income				
Revenue from operations	24,743.85	22,767.16	71,980.28	64,973.86
Other income	365.64	361.66	1,003.52	1,253.00
Total income (I)	25,109.49	23,128.82	72,983.80	66,226.86
Expenses				
Employee benefits expense	14,378.52	12,589.39	41,758.23	36,015.39
Finance costs	148.00	190.10	490.12	605.39
Depreciation and amortization expense	606.75	575.70	1,800.98	1,707.61
Other expenses	5,710.26	5,908.58	16,864.65	16,894.66
Total expenses (II)	20,843.53	19,263.77	60,913.98	55,223.05
Profit before tax (III) [(I)-(II)]	4,265.96	3,865.05	12,069.82	11,003.81
Tax expenses				
Current tax	894.93	1,013.26	2,812.41	2,909.14
Deferred tax	115.76	(84.24)	258.71	(221.40)
Total tax expenses	1,010.69	929.02	3,071.12	2,687.74
Profit for the period (A)	3,255.27	2,936.03	8,998.70	8,316.07
Other comprehensive income / (losses) ('OCI')				
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of financial statements of foreign operations	(18.50)	366.07	(442.39)	788.78
Net change in fair value of derivatives designated as cash flow hedges	337.55	(114.21)	1,981.56	(219.83)
Income tax effect on cash flow hedges	(118.78)	38.49	(694.28)	74.33
Items not to be reclassified to profit or loss in subsequent periods				
Re-measurement gains / (losses) on defined employee benefit plans	(34.06)	(5.72)	(76.56)	38.55
Income tax effect on the above	11.96	2.22	26.75	(13.43)
Total OCI for the period, net of tax (B)	178.17	286.85	795.08	668.40
Total comprehensive income for the period (A+B)	3,433.44	3,222.88	9,793.78	8,984.47
Profit for the period attributable to:				
Equity owners of the Company	3,255.27	2,936.03	8,998.70	8,316.07
Non-controlling interests	-	-	-	-
	3,255.27	2,936.03	8,998.70	8,316.07
Total comprehensive income for the period attributable to:				
Equity owners of the Company	3,433.44	3,222.88	9,793.78	8,984.47
Non-controlling interests	-	-	-	-
	3,433.44	3,222.88	9,793.78	8,984.47
Earnings per equity share (par value ₹ 10 per share)				
Basic (₹)	17.44	15.75	48.23	44.63
Diluted (₹)	17.22	15.63	47.72	44.27
Weighted average number of shares – Basic	186,675,773	186,396,057	186,594,243	186,332,879
Weighted average number of shares – Diluted	189,025,198	187,785,787	188,567,861	187,860,458

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani

Partner

Membership No. 060154

Bengaluru

21 January 2021

Nitin Rakesh

Chief Executive Officer

New York

Manish Dugar

Chief Financial Officer

Bengaluru

21 January 2021

Narayanan Kumar

Director

Chennai

Subramanian Narayan

Vice President & Company Secretary

Bengaluru

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

a. Equity share capital

Equity shares of ₹ 10 each issued, subscribed and fully paid	No. in million	₹ million
As at 1 April 2019	186.22	1,862.26
Issue of shares	0.23	2.28
As at 31 December 2019	186.45	1,864.54
As at 1 April 2020	186.54	1,865.43
Issue of shares	0.20	1.96
As at 31 December 2020	186.74	1,867.39

b. Other equity

(₹ million)

	Attributable to the equity owners of the Company									Total
	Reserves and surplus							Items of OCI		
	a	b	c	d	e	f	g	h	i	
	Securities premium	General reserve	Retained earnings	Capital reserve	Capital redemption reserve	Special Economic Zone re-investment reserve	Share based payments	Hedging reserve	Foreign currency translation reserve	
As at 1 April 2019	69.26	788.73	41,950.46	361.39	251.66	994.18	492.98	416.85	5,310.41	50,635.92
Transition impact of Ind AS 116	-	-	(1,022.41)	-	-	-	-	-	-	(1,022.41)
Restated balance as at 1 April 2019	69.26	788.73	40,928.05	361.39	251.66	994.18	492.98	416.85	5,310.41	49,613.51
Profit for the period	-	-	8,316.07	-	-	-	-	-	-	8,316.07
Other comprehensive income	-	-	25.12	-	-	-	-	(145.50)	788.78	668.40
Dividends *	-	-	(6,065.31)	-	-	-	-	-	-	(6,065.31)
Transferred to Special Economic Zone re-investment reserve	-	-	(1,040.73)	-	-	1,040.73	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	585.11	-	-	(585.11)	-	-	-	-
Share based expenses	-	-	-	-	-	-	115.73	-	-	115.73
Issue of shares on exercise of stock options	140.84	9.78	-	-	-	-	(47.23)	-	-	103.39
As at 31 December 2019	210.10	798.51	42,748.31	361.39	251.66	1,449.80	561.48	271.35	6,099.19	52,751.79
As at 1 April 2020	266.18	2,003.57	44,764.37	361.39	251.66	1,760.52	581.21	(831.50)	7,273.16	56,430.56
Profit for the period	-	-	8,998.70	-	-	-	-	-	-	8,998.70
Other comprehensive income	-	-	(49.81)	-	-	-	-	1,287.28	(442.39)	795.08
Dividends	-	-	(6,529.88)	-	-	-	-	-	-	(6,529.88)
Transferred to Special Economic Zone re-investment reserve	-	-	(280.13)	-	-	280.13	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	453.94	-	-	(453.94)	-	-	-	-
Share based expenses	-	-	-	-	-	-	81.40	-	-	81.40
Issue of shares on exercise of stock options	123.44	1.40	-	-	-	-	(24.82)	-	-	100.02
As at 31 December 2020	389.62	2,004.97	47,357.19	361.39	251.66	1,586.71	637.79	455.78	6,830.77	59,875.88

* Including dividend distribution tax thereon for 31 December 2019 amounting to ₹ 1,034.18 million.

Pursuant to the requirements of Division II to Schedule III, below is the nature and purpose of each reserve:

- Securities premium** - Securities premium reserve is used to record the premium received on issue of shares. The reserve is utilised in accordance with the provisions of section 52 of the Companies Act, 2013.
- General reserve** - General reserve represents appropriation of profits. This represents a free reserve and is available for dividend distributions. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to the statement of profit and loss.
- Retained earnings** - Retained earnings comprises of prior and current year's undistributed earnings after tax.
- Capital reserve** - ₹ 265.16 million represents receipts during the year ended 31 October 2012, upon termination of Mphasis Employee Welfare Trust, in accordance with the Declaration of Trust made for administration of share-based payment plan in relation to erstwhile employees of Mphasis Corporation. The net assets of the Trust were transferred to the Company upon completion of its objectives in accordance with the provisions of the said Declaration of Trust. The same will be utilized for the purposes as permitted by the Companies Act, 2013. ₹ 94.00 million represents Capital reserve created on redemption of redeemable preference share during the year ended 31 March 2007.
- Capital Redemption Reserve ('CRR')** - Capital Redemption Reserve is created to the extent of the nominal value of the share capital extinguished on buyback of Company's own shares in accordance with Section 69 of the Companies Act, 2013. The reserve is utilized in accordance with the provisions of section 69 of the Companies Act, 2013.
- Special Economic Zone re-investment reserve** - The Special Economic Zone Re-Investment Reserve has been created out of the profits of eligible SEZ units in accordance with the provisions of section 10AA(1)(ii) of Income Tax Act, 1961. The reserve is required to be utilized by the Company for acquiring new plant and machinery for the purpose of its business.
- Share based payments** - Share based payments reserve is used to record the fair value of equity-settled share-based payment transactions with employees. The amounts recorded in this account are transferred to share premium upon exercise of stock options by employees.
- Hedging reserve** - Cumulative changes in the fair value of financial instruments designated and effective as a hedge are recognized in this reserve through OCI (net of taxes). Amounts recognized in the hedging reserve are reclassified to the statement of profit and loss when the underlying transaction occurs.

Mphasis Limited
Condensed consolidated interim financial statements

- i. **Foreign currency translation reserve ('FCTR')** - Exchange difference relating to the translation of the results and net assets of the Company's foreign operations from their respective functional currencies to the Company's functional and presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is disposed off, the relevant amount recognized in FCTR is transferred to the statement of profit or loss as part of the profit or loss on disposal.

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani

Partner

Membership No. 060154

Nitin Rakesh

Chief Executive Officer

New York

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Chennai

Bengaluru

21 January 2021

Manish Dugar

Chief Financial Officer

Bengaluru

21 January 2021

Subramanian Narayan

Vice President & Company Secretary

Bengaluru

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	(₹ million)	
	Nine months ended 31 December 2020	Nine months ended 31 December 2019
Operating activities		
Profit before tax	12,069.82	11,003.81
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation and amortization expense	1,800.98	1,707.61
Profit on sale of property, plant and equipment and intangible assets	(3.10)	(12.18)
Net gain on investments carried at fair value through profit and loss	(670.67)	(718.07)
Share based payment expenses	81.40	115.73
Provision for expected credit loss	240.95	101.89
Finance costs	490.12	605.39
Interest income	(156.35)	(382.59)
Others	(76.13)	(26.79)
Unrealized exchange (gain), / loss, net	(35.63)	(19.27)
Operating profit before changes in operating assets and liabilities	13,741.39	12,375.53
Changes in operating assets and liabilities		
Trade receivables and unbilled receivables	(569.10)	467.13
Loans	204.36	(22.14)
Other financial assets	94.55	61.33
Other assets	152.97	(334.77)
Trade payables	(1,355.78)	(1,434.88)
Other financial liabilities	(96.19)	373.60
Other liabilities	949.16	58.16
Provisions and employee benefit obligations	297.34	329.42
Total changes in operating assets and liabilities	(322.69)	(502.15)
Income tax paid (net of refunds)	(2,640.59)	(2,546.30)
Net cash flows generated from operating activities (A)	10,778.11	9,327.08
Investing activities		
Purchase of property, plant and equipment and intangible assets	(974.26)	(871.27)
Proceeds from sale of property, plant and equipment and intangible assets	6.49	13.60
Purchase of investments	(55,313.28)	(62,161.27)
Sale of investments	51,692.35	59,533.73
Interest received	82.50	142.14
Payment for business acquisition, net of cash acquired (₹ 151.32) (refer note 3)	(792.16)	-
Investments in bank deposits	(1,547.55)	(408.24)
Redemption / maturity of bank deposits	805.01	2,792.51
Net cash flows used in investing activities (B)	(6,040.90)	(958.80)
Financing activities		
Proceeds from issue of shares	101.98	105.67
Repayment of borrowings	(6,737.29)	(12,476.49)
Availment of borrowings	6,671.37	12,290.56
Interest paid	(477.71)	(202.82)
Repayment of lease liabilities	(1,025.56)	(1,381.59)
Dividends paid	(6,526.95)	(6,064.47)
Net cash flows used in financing activities (C)	(7,994.16)	(7,729.14)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(3,256.95)	639.14
Effect of exchange rate changes	110.83	54.31
Cash and cash equivalents at the beginning of the period	9,880.01	3,500.02
Cash and cash equivalents at the end of the period	6,733.89	4,193.47
Components of cash and cash equivalents		
In current accounts	5,310.40	3,209.54
Deposits with original maturity of less than 3 months	1,423.28	983.93
Cash on hand	0.21	-
Total cash and cash equivalents	6,733.89	4,193.47

Non-cash changes relating to foreign exchange (gain) / loss pertaining to borrowings: ₹ (156.45) million (31 December 2019: ₹ 185.28 million).

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

Bengaluru
21 January 2021

Manish Dugar
Chief Financial Officer
Bengaluru
21 January 2021

Subramanian Narayan
Vice President & Company Secretary
Bengaluru

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The condensed consolidated interim financial statements comprise financial statements of Mphasis Limited ('the Company') and its subsidiaries (collectively referred to as 'the Mphasis Group' or 'the Group') for the quarter and nine months ended 31 December 2020. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The shares of the Company are listed on two recognised stock exchanges in India. The registered office of the Company is in Bengaluru, India.

Mphasis Group, a global Information Technology (IT) solutions provider specializing in providing cloud and cognitive services, applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach. Front2Back™ uses the exponential power of cloud and cognitive to provide hyper-personalized digital experience to clients and their end customers.

The principal activities of the below subsidiaries include providing Information Technology and Information Technology enabled services, except for Digital Risk group which renders risk, compliance, and technology related services to customers in the mortgage industry.

The condensed consolidated interim financial statements as at and for the quarter and nine months ended 31 December 2020 have been approved by the Board of Directors on 21 January 2021.

List of subsidiaries with percentage holding

Subsidiaries	Country of incorporation	Parent	% of holding	
			31 December 2020	31 March 2020
Mphasis Corporation	USA	Mphasis Limited	100	100
Mphasis Deutschland GmbH	Germany	Mphasis Limited	91	91
Mphasis Australia Pty Limited	Australia	Mphasis Limited	100	100
Mphasis (Shanghai) Software & Services Company Limited	China	Mphasis Limited	100	100
Mphasis Consulting Limited	United Kingdom	Mphasis Limited	100	100
Mphasis Ireland Limited	Ireland	Mphasis Limited	100	100
Mphasis Belgium BV (formerly Mphasis Belgium BVBA)	Belgium	Mphasis Limited	100	100
Mphasis Lanka (Private) Limited [refer note 1 (a)]	Sri Lanka	Mphasis Limited	100	100
Mphasis Poland s.p.z.o.o.	Poland	Mphasis Limited	100	100
PT. Mphasis Indonesia [refer note 1 (c)]	Indonesia	Mphasis Limited	100	100
Mphasis Europe BV	The Netherlands	Mphasis Corporation	59.62	59.62
		Mphasis Limited	40.38	40.38
Mphasis Infrastructure Services Inc.	USA	Mphasis Corporation	100	100
Mphasis Pte Limited	Singapore	Mphasis Europe BV	100	100
Mphasis UK Limited	United Kingdom	Mphasis Europe BV	100	100
Mphasis Software and Services (India) Private Limited	India	Mphasis Europe BV	100	100
Msource Mauritius Inc.	Mauritius	Mphasis Europe BV	100	100
Mphasis Wyde Inc.	USA	Mphasis UK Limited	100	100
Mphasis Philippines Inc.	Philippines	Mphasis Pte Limited	100	100
Msource (India) Private Limited	India	Msource Mauritius Inc.	100	100
Wyde Corporation	USA	Mphasis Wyde Inc.	100	100
Mphasis Wyde SASU	France	Wyde Corporation Inc.	100	100
Wyde Solutions Canada Inc.	Canada	Wyde Corporation Inc.	100	100
Digital Risk, LLC. *	USA	Mphasis Wyde Inc.	100	100
Digital Risk Mortgage Services, LLC. *	USA	Digital Risk, LLC.	100	100
Investor Services, LLC. *	USA	Digital Risk, LLC.	100	100
Digital Risk Valuation Services, LLC. *	USA	Digital Risk, LLC.	100	100
Digital Risk Europe, OOD. [refer note 1 (b)] *	Bulgaria	Digital Risk, LLC.	100	100
Stelligent Systems LLC	USA	Mphasis Corporation	100	100
Datalytx Limited **	United Kingdom	Mphasis Consulting Limited	100	-
Datalytx MSS Limited **	United Kingdom	Datalytx Limited	100	-
Dynamyx Limited **	United Kingdom	Datalytx Limited	100	-

* Forms part of Digital Risk group.

** Acquired with effect from 19 November 2020 (refer note 3).

List of Trusts that are consolidated.

- Mphasis Employees Benefit Trust.
- Mphasis Employees Equity Reward Trust.

- a) On 22 July 2013, the Board of Directors of Mphasis Lanka (Private) Limited, a wholly owned subsidiary of Mphasis Limited, resolved to close its operations.
- b) On 31 March 2017, the management of Digital Risk LLC resolved to close the operations of Digital Risk Europe, OOD.
- c) On 16 April 2018, the shareholders of PT. Mphasis Indonesia resolved to dissolve and liquidate the entity.

Statement of compliance

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) 34, Interim Financial Reporting, specified under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, as amended from time to time.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements have been prepared on a historical cost convention and on an accrual basis of accounting, except for the following assets and liabilities which have been measured at fair value.

- Derivative financial instruments.
- Investments classified as Fair Value Through Profit or Loss ('FVTPL').
- Fair value of plan assets less present value of defined benefit obligations.

The condensed consolidated interim financial statements are presented in INR ('₹') and all the values are rounded off to the nearest million (INR 000,000) except when otherwise indicated.

The statement of cash flows have been prepared under the indirect method.

The Group has followed the same accounting policies in preparation of the condensed consolidated interim financial statements as those followed in preparation of the annual consolidated financial statements as at and for the year ended 31 March 2020, updated for the definition of Business combinations and goodwill. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended 31 March 2020.

Business combinations and goodwill

Policy applicable with effect from 1 April 2020

The Group accounts for its business combinations using acquisition method of accounting when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. In determining whether a particular set of activities and assets is a business, the Group assesses if the acquisition includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are recognized in the consolidated statement of profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognized at their fair values at the acquisition date.

Purchase consideration paid in excess of the fair value of net assets acquired is recognized as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, the Group re-assesses whether it has appropriately identified and measured all assets acquired and liabilities assumed, including contingent liabilities. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the bargain purchase gain is recognized in other comprehensive income and accumulated in equity as capital reserve.

Goodwill is initially measured at cost and subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies arising from the business combination.

Impact of the Global Pandemic ('Covid-19')

The Group has taken into account the possible impacts of Covid-19 in preparation of the condensed consolidated interim financial statements, including but not limited to its assessment of liquidity and going concern assumption, impairment triggers for non-current assets including goodwill, recoverable values of its financial and non-financial assets, impact on revenues and on cost budgets in respect of fixed price contracts, impact on measurement of deferred tax assets / liabilities, impact on leases and impact on effectiveness of its hedging relationships. The Group has considered available sources of information upto the date of approval of the condensed consolidated interim financial statements and expects to recover the carrying amount of its assets. The impact of Covid-19 on the condensed consolidated interim financial statements may differ from that estimated as at the date of approval of these condensed consolidated interim financial statements.

3. BUSINESS COMBINATION

On 19 November 2020, the Company through its wholly owned subsidiary, Mphasis Consulting Limited, obtained control of Datalytx Limited and its subsidiaries ('Datalytx') by acquiring 100% of its shares in cash. Datalytx is a next-gen data engineering and consultancy company providing next-gen data Engineering, Data Ops and Master Data Management solutions on Snowflake and Talend environments. The acquisition seeks to strengthen the Group's next-gen data strategy and build capabilities relevant to the digital priorities of its clients.

The acquisition was executed through a share purchase agreement for a consideration of GBP 11.55 million (₹ 1,141.92 million). The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill.

The following table shows the provisional allocation of purchase price:

(₹ million)				
Description	Useful life	Pre-acquisition carrying amount	Fair value adjustments	Purchase price allocated
Net assets		318.58	-	318.58
Business alliance partnerships	6 years	-	118.69	118.69
Customer contracts and relationships	4-7 years	-	138.47	138.47
Brand	5 years	-	39.56	39.56
Deferred tax liabilities on intangible assets		-	-	(56.90)
Total		318.58	296.72	558.40
Goodwill				583.52
Total purchase price				1,141.92

Net assets acquired include ₹ 151.32 million of cash and cash equivalents and trade and other receivables valued at ₹ 278.59 million. Trade and other receivables are expected to be collected in full.

Goodwill of ₹ 583.52 million comprises value of acquired workforce and expected synergies arising from the acquisition. The goodwill is not tax-deductible and has been allocated to the Datalytx Cash Generating Unit ('CGU').

The fair value of contingent consideration linked to continuing employment is being accounted for as a post combination expense in the statement of profit and loss.

Had the above acquisition occurred on 1 April 2020, management estimates that the consolidated revenue would have been higher by approximately ₹ 450.00 million and no material impact on the profits for the period ended 31 December 2020. The pro-forma amounts are not necessarily indicative of the results that would have occurred if the acquisition had occurred on date indicated or that may result in the future.

4. FINANCIAL INSTRUMENTS

The carrying value of financial instruments by categories is as follows:

Particulars (as at 31 December 2020)					(₹ million)
	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	6,733.89	6,733.89
Bank balances other than cash and cash equivalents	-	-	-	2,242.92	2,242.92
Investments	14,996.49	-	-	2,551.61	17,548.10
Trade receivables	-	-	-	9,289.09	9,289.09
Loans	-	-	-	1,893.44	1,893.44
Derivative assets	-	869.19	79.40	-	948.59
Unbilled receivables	-	-	-	8,945.18	8,945.18
Other financial assets	-	-	-	614.92	614.92
Total	14,996.49	869.19	79.40	32,271.05	48,216.13
Financial liabilities					
Borrowings	-	-	-	5,490.48	5,490.48
Lease liabilities	-	-	-	6,736.30	6,736.30
Trade payables	-	-	-	5,544.91	5,544.91
Derivative liabilities	-	166.39	76.75	-	243.14
Other financial liabilities	-	-	-	3,174.56	3,174.56
Total	-	166.39	76.75	20,946.25	21,189.39
Particulars (as at 31 March 2020)					
Financial assets					
Cash and cash equivalents	-	-	-	9,880.01	9,880.01
Bank balances other than cash and cash equivalents	-	-	-	1,377.02	1,377.02
Investments	9,820.23	-	-	3,436.27	13,256.50
Trade receivables	-	-	-	8,352.52	8,352.52
Loans	-	-	-	2,049.79	2,049.79
Derivative assets	-	196.53	128.05	-	324.58
Unbilled receivables	-	-	-	9,343.02	9,343.02
Other financial assets	-	-	-	388.18	388.18
Total	9,820.23	196.53	128.05	34,826.81	44,971.62
Financial liabilities					
Borrowings	-	-	-	5,712.85	5,712.85
Lease liabilities	-	-	-	7,241.00	7,241.00
Trade payables	-	-	-	6,666.81	6,666.81
Derivative liabilities	-	1,475.29	245.34	-	1,720.63
Other financial liabilities	-	-	-	3,072.90	3,072.90
Total	-	1,475.29	245.34	22,693.56	24,414.19

Impact of Covid-19

Trade receivables and unbilled receivables of ₹ 18,234.27 million as at 31 December 2020 forms a significant part of the financial assets carried at amortized cost which is valued considering provision for allowance using expected credit loss method ('ECL'). In addition to the historical pattern of credit loss, we have evaluated the likelihood of increased credit risk and consequential default considering the Covid-19 situation. This assessment considers the current collection pattern across various verticals and the financial strength of customers. The Group is closely monitoring the developments across various business verticals. Basis this assessment, provision made towards ECL is considered adequate.

The Group has assessed the counterparty credit risk and concluded the carrying / fair value, as applicable, of the financial instruments, investments and deposits with banks, mutual funds, and other financial institutions to be appropriate.

Fair value hierarchy

Particulars	As at 31 December 2020				As at 31 March 2020			
	Fair value measurements at reporting date using				Fair value measurements at reporting date using			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Investments	14,996.49	12,600.19	2,396.30	-	9,820.23	8,214.92	1,605.31	-
Derivative assets	948.59	-	948.59	-	324.58	-	324.58	-
Liabilities								
Derivative liabilities	243.14	-	243.14	-	1,720.63	-	1,720.63	-

5. The Board of Directors, in its meeting held on 13 May 2020 had proposed the final dividend of ₹ 35 per share for the year ended 31 March 2020. The dividend proposed by the Board of Directors was approved by the shareholders in the Annual General meeting held on 23 July 2020 and has been paid during the quarter ended 30 September 2020.

6. CONTINGENT LIABILITIES AND COMMITMENTS

- a. The Group has disputes with income tax authorities in India and other select jurisdictions where they operate. The ongoing disputes pertain to various assessment years from 2002-03 to 2016-17. The matters under dispute pertain to transfer pricing, tax treatment of certain expenses claimed as deductions, or allowances, characterization of fees for services paid and applicability of withholding taxes. Claims against the Group in relation to direct taxes, transfer pricing and indirect tax matters not acknowledged as debts amount to ₹ 9,043.06 million (31 March 2020: ₹ 9,201.20 million).

In relation to other tax demands not included above, the Group has furnished bank guarantees amounting to ₹ 6,661.95 million (31 March 2020: ₹ 6,661.95 million). These demands are being contested by the Group based on management evaluation, advice of tax consultants and legal advice obtained. No provision has been made in the books of accounts. The Group has filed appeals against such orders with the appropriate authorities.

The Group has received notices and inquiries from income tax authorities related to the Group's operations in the jurisdictions it operates in. The Group has evaluated these notices, responded appropriately, and believes there are no financial statement implications as on date.

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- b. Other outstanding bank guarantees as at 31 December 2020: ₹ 195.78 million (31 March 2020: ₹ 205.94 million) pertains to guarantees on behalf of the Group to regulatory authorities.
- c. In addition to the above matters, the Group has other claims not acknowledged as debts amounting to ₹ 855.32 million (31 March 2020: ₹ 852.25 million). There has been a Supreme Court judgement dated 28 February 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the Provident Fund Act, 1952. However, considering that there are numerous interpretative issues relating to this judgment, including the effective date of the application, and based on expert advice obtained, the Group is unable to reasonably estimate the expected impact of the Supreme Court decision. The Group will continue to assess any further developments in this matter for the implications on financial statements, if any.
- d. Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 December 2020: ₹ 199.47 million (31 March 2020: ₹ 222.25 million).
7. The Code on Social Security 2020 ('Code'), which received the Presidential Assent on 28 September 2020, subsumes nine regulations relating to social security, retirement, and employee benefits. The Ministry of Labour and Employment ('Ministry') has released draft rules for the Code on 13 November 2020 and has invited suggestions from stake holders. The suggestions received are under consideration by the Ministry. The effective date of the Code has not yet been notified and the related rules to ascertain the financial impact are yet to be finalized and notified. The Company and its Indian subsidiaries will assess the impact once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

8. SEGMENT REPORTING

Operating segments are defined as components of the Group for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. The Group's Chief Operating Decision Maker ('CODM') is the Chief Executive Officer.

The Group has identified business segments as reportable segments. Effective 1 April 2020, the Group reorganized its industry verticals. Consequently, the Emerging Industries segment has been split into two segments - Logistics and transportation and Others. Accordingly, the new business segments are: Banking and Capital Market, Logistics and transportation, Information Technology Communication and Entertainment, Insurance, and Others.

Effective 1 April 2020, the basis of cost allocation to all segments has been changed by considering certain expenses to be un-allocable expenditure as these are not directly related to the revenue generating activities. The revised segment results have been computed accordingly. The change in the cost allocation methodology has led to an increase in segment results by 2.34% and 1.91% on segment revenue for quarter and nine months ended 31 December 2020. (Quarter and nine months ended 31 December 2019: 1.71% and 1.71%).

Comparative information has been restated to give effect to the above changes.

The accounting policies consistently used in the preparation of financial statements are also applied to record revenue and expenditure in individual segments. Revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group, therefore, believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

CODM does not review assets and liabilities at reportable segments level, hence segment disclosures relating to total assets and liabilities have not been provided.

Client relationships are driven based on client domicile. The geographical segments include United States of America ('Americas'), India, Europe, Middle East & Africa, ('EMEA') and Rest of the world ('ROW').

	(₹ million)			
Business segments	Quarter ended 31 December 2020	Quarter ended 31 December 2019	Nine months ended 31 December 2020	Nine months ended 31 December 2019
Segment revenue				
Banking and Capital Market	13,116.92	10,325.94	37,306.53	29,365.85
Logistics and Transportation	3,109.34	3,158.53	9,322.98	8,695.12
Information Technology, Communication and Entertainment	3,164.97	3,566.72	9,283.21	10,439.04
Insurance	2,386.22	2,552.90	6,987.06	7,372.83
Others	2,824.03	3,089.69	8,976.63	8,889.61
Unallocated - hedge	142.37	73.38	103.87	211.41
Total segment revenue	24,743.85	22,767.16	71,980.28	64,973.86
Segment result				
Banking and Capital Market	3,226.82	2,704.30	9,229.56	7,712.72
Logistics and Transportation	1,290.98	1,162.72	3,651.61	3,095.10
Information Technology, Communication and Entertainment	760.56	818.55	1,928.12	2,293.46
Insurance	819.15	654.86	2,221.88	2,052.77
Others	961.37	981.33	3,121.74	2,773.19
Unallocated - hedge	142.37	73.38	103.87	211.41
Total segment result	7,201.25	6,395.14	20,256.78	18,138.65
Finance costs	(148.00)	(190.10)	(490.12)	(605.39)
Other income	365.64	361.66	1,003.52	1,253.00
Other unallocable expenditure	(3,152.93)	(2,701.65)	(8,700.36)	(7,782.45)
Profit before taxation	4,265.96	3,865.05	12,069.82	11,003.81
Income taxes	1,010.69	929.02	3,071.12	2,687.74
Profit after taxation	3,255.27	2,936.03	8,998.70	8,316.07
Geographic revenues				
Americas	19,155.53	17,592.29	55,781.00	50,838.41
India	1,145.83	1,148.36	3,194.25	3,308.91
EMEA	2,940.30	2,615.89	8,313.73	6,993.14
ROW	1,359.82	1,337.24	4,587.43	3,621.99
Unallocated - hedge	142.37	73.38	103.87	211.41
Total	24,743.85	22,767.16	71,980.28	64,973.86

(₹ million)

9. DISAGGREGATION OF REVENUE	Quarter ended 31 December 2020	Quarter ended 31 December 2019	Nine months ended 31 December 2020	Nine months ended 31 December 2019
Services rendered				
Application Services	13,760.16	13,841.05	42,755.42	41,046.01
Business Process Services	7,234.82	4,111.79	18,521.03	10,691.99
Infrastructure Services	3,606.50	4,740.94	10,599.96	13,024.45
Unallocated - hedge	142.37	73.38	103.87	211.41
Total	24,743.85	22,767.16	71,980.28	64,973.86
Delivery location				
Onsite	14,263.39	13,187.07	42,292.03	37,688.11
Offshore	10,338.09	9,506.71	29,584.38	27,074.34
Unallocated - hedge	142.37	73.38	103.87	211.41
Total	24,743.85	22,767.16	71,980.28	64,973.86
Project type				
Time and material	14,516.79	13,109.59	42,372.72	38,926.95
Fixed price	5,948.66	6,068.65	18,030.65	16,509.06
Transaction based	4,136.03	3,515.54	11,473.04	9,326.44
Unallocated - hedge	142.37	73.38	103.87	211.41
Total	24,743.85	22,767.16	71,980.28	64,973.86
Market				
Direct	20,831.66	16,845.65	58,729.86	47,773.74
DXC	3,230.97	5,311.91	11,786.22	15,543.61
Others	538.85	536.22	1,360.33	1,445.10
Unallocated - hedge	142.37	73.38	103.87	211.41
Total	24,743.85	22,767.16	71,980.28	64,973.86

Impact of Covid-19 on revenue from operations:

The Group has evaluated the impact of Covid-19 resulting from

- the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts.
- potential onerous contract obligations,
- penalties relating to breaches of service level agreements and,
- termination / deferment of contracts by customers.

The Group has concluded that the impact of Covid-19 is not material based on above mentioned evaluation. Group will continue to monitor developments to identify significant uncertainties relating to revenue in future periods given the nature and duration of Covid-19.

10. HEDGING ACTIVITIES AND DERIVATIVES

The Group's revenue is denominated in various foreign currencies. Given the nature of business, a large part of the costs are denominated in the respective functional currencies. This exposes the Group to currency fluctuations. The Group uses foreign exchange forward contracts to manage exposure on some of its transactions. The counterparty, for all derivative financial instruments is a bank.

The Group has taken cash flow hedges on account of highly probable forecast transactions. Designated cash flow hedges are measured at Fair Value Through OCI. Other derivatives which are not designated as hedge are measured at FVTPL.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

The following are outstanding forward contracts which have been designated as cash flow hedges:

Currency	As at 31 December 2020			As at 31 March 2020		
	Number of contracts	Notional amount (million)	Fair value gain / (loss) (₹ million)	Number of contracts	Notional amount (million)	Fair value gain / (loss) (₹ million)
USD	425	501.20	864.46	492	549.20	(1,392.68)
GBP	75	13.33	(29.02)	84	15.53	36.50
EUR	98	21.66	(55.59)	95	19.21	25.03
CAD	38	11.35	(10.32)	12	7.88	9.62
AUD	74	15.70	(66.73)	70	9.88	42.77
Total			702.80			(1,278.76)

The movement in cash flow hedging reserve for derivatives designated as cash flow hedge is as follows:

	Nine months ended 31 December 2020	Nine months ended 31 December 2019
Balance at the beginning of the period	(831.50)	416.85
Change in fair value of effective portion of cash flow hedges	2,085.43	(8.42)
(Gain) / loss transferred to statement of profit and loss on occurrence of forecasted hedges	(103.87)	(211.41)
Income tax effect on the above	(694.28)	74.33
Total	455.78	271.35

Sensitivity analysis

For every 1% appreciation / depreciation of the respective underlying foreign currencies, the Group's OCI will decrease / increase by approximately ₹ 413.00 million (31 March 2020: ₹ 451.00 million).

Impact of Covid-19

The Group basis their assessment believes that the probability of the occurrence of their forecasted transactions is not impacted by Covid-19 pandemic. The Group has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness. The Group continues to believe that there is no impact on effectiveness of its hedges.

11. RELATED PARTY TRANSACTIONS

During the current year, the Company paid an amount of ₹ 3,301.19 million (net of withholding taxes ₹ 366.80 million) to Marble II Pte Ltd., the holding company towards final dividend for the year ended 31 March 2020. The dividend proposed by the Board of Directors has been approved by the shareholders at the Annual General meeting held on 23 July 2020.

During the previous year, the Company paid an amount of ₹ 2,627.58 million to Marble II Pte Ltd., the holding company towards final dividend as approved by the shareholders.

Other than the above, the Group did not have any other material related party transactions and outstanding balances as at and for the quarter and nine months ended 31 December 2020.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

for and on behalf of the Board of Directors

Amit Somani

Partner

Membership No. 060154

Bengaluru

21 January 2021

Nitin Rakesh

Chief Executive Officer

New York

Manish Dugar

Chief Financial Officer

Bengaluru

21 January 2021

Narayanan Kumar

Director

Chennai

Subramanian Narayan

Vice President & Company Secretary

Bengaluru