



**Audited condensed consolidated interim financial statements as at and
for the quarter and six months ended 30 September 2021**

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Mphasis Limited
Condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(₹ million)

	As at 30 September 2021	As at 31 March 2021
ASSETS		
Non-current assets		
Property, plant and equipment	2,141.65	2,117.82
Capital work-in-progress	14.07	31.27
Right-of-use assets	7,115.18	5,677.15
Goodwill	26,784.48	21,325.67
Other intangible assets	2,055.97	1,074.48
Financial assets		
Investments	4,497.52	3,114.28
Other financial assets	1,668.09	1,475.92
Deferred tax assets (net)	1,382.20	1,260.72
Income tax assets (net)	5,582.37	5,496.40
Other assets	912.89	1,013.12
Total non-current assets	52,154.42	42,586.83
Current assets		
Financial assets		
Investments	15,610.78	15,345.90
Trade receivables	9,972.06	9,294.82
Unbilled receivables	10,666.71	9,210.05
Cash and cash equivalents	10,707.38	7,711.44
Bank balances other than cash and cash equivalents	1,520.61	2,910.98
Loans	57.02	154.45
Other financial assets	3,030.84	2,595.22
Other assets	4,437.62	4,179.79
Total current assets	56,003.02	51,402.65
TOTAL ASSETS	108,157.44	93,989.48
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,873.05	1,870.49
Other equity	58,699.26	63,396.61
Total equity	60,572.31	65,267.10
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Lease liabilities	6,583.12	5,370.38
Other financial liabilities	1,442.86	39.69
Employee benefit obligations	1,012.46	727.68
Deferred tax liabilities (net)	455.35	342.86
Income tax liabilities (net)	221.29	242.25
Other liabilities	570.69	562.53
Total non-current liabilities	10,285.77	7,285.39
Current liabilities		
Financial liabilities		
Borrowings	6,146.12	5,134.50
Lease liabilities	1,548.97	1,306.14
Trade payables		
- outstanding dues to micro and small enterprises	5.16	4.94
- outstanding dues to creditors other than micro and small enterprises	6,764.30	5,959.02
Other financial liabilities	14,464.71	3,241.49
Other liabilities	4,464.33	2,770.22
Employee benefit obligations	1,168.47	970.11
Provisions	676.62	496.99
Income tax liabilities (net)	2,060.68	1,553.58
Total current liabilities	37,299.36	21,436.99
TOTAL EQUITY AND LIABILITIES	108,157.44	93,989.48

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 & Managing Director

New York

Narayanan Kumar

Director

Chennai

Manish Dugar

Chief Financial Officer

Bengaluru

21 October 2021

Subramanian Narayan

Senior Vice President & Company Secretary

Bengaluru

Bengaluru

21 October 2021

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS					(₹ million)
	Quarter ended 30 September 2021	Quarter ended 30 September 2020	Six months ended 30 September 2021	Six months ended 30 September 2020	
Income					
Revenue from operations	28,692.27	24,354.29	55,600.61	47,236.43	
Other income	439.38	261.17	906.50	637.88	
Total income (I)	29,131.65	24,615.46	56,507.11	47,874.31	
Expenses					
Employee benefits expense	16,785.93	14,351.30	32,424.57	27,379.71	
Finance costs	162.66	147.45	319.37	342.12	
Depreciation and amortization expense	659.97	599.76	1,283.16	1,194.23	
Other expenses	6,926.47	5,478.76	13,302.88	11,154.39	
Total expenses (II)	24,535.03	20,577.27	47,329.98	40,070.45	
Profit before tax (III) [(I)-(II)]	4,596.62	4,038.19	9,177.13	7,803.86	
Tax expense					
Current tax	1,295.08	1,028.12	2,452.43	1,917.48	
Deferred tax	(113.03)	17.79	(86.73)	142.95	
Total tax expense	1,182.05	1,045.91	2,365.70	2,060.43	
Profit for the period (A)	3,414.57	2,992.28	6,811.43	5,743.43	
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	(105.70)	(429.99)	333.19	(423.89)	
Net change in fair value of derivatives designated as cash flow hedges	614.89	1,012.95	434.25	1,644.01	
Income tax effect on cash flow hedges	(213.33)	(353.64)	(150.78)	(575.50)	
Items not to be reclassified to profit or loss in subsequent periods					
Re-measurement gains / (losses) on defined employee benefit plans	(144.63)	(3.97)	(205.34)	(42.50)	
Income tax effect on the above	50.32	1.32	71.44	14.79	
Total OCI for the period, net of tax (B)	201.55	226.67	482.76	616.91	
Total comprehensive income for the period (A+B)	3,616.12	3,218.95	7,294.19	6,360.34	
Profit for the period attributable to:					
Equity owners of the Company	3,414.57	2,992.28	6,811.43	5,743.43	
Non-controlling interests	-	-	-	-	
	3,414.57	2,992.28	6,811.43	5,743.43	
OCI for the period attributable to:					
Equity owners of the Company	201.55	226.67	482.76	616.91	
Non-controlling interests	-	-	-	-	
	201.55	226.67	482.76	616.91	
Total comprehensive income for the period attributable to:					
Equity owners of the Company	3,616.12	3,218.95	7,294.19	6,360.34	
Non-controlling interests	-	-	-	-	
	3,616.12	3,218.95	7,294.19	6,360.34	
Earnings per equity share (par value ₹ 10 per share)					
Basic (₹)	18.23	16.04	36.39	30.79	
Diluted (₹)	17.96	15.87	35.87	30.52	
Weighted average number of shares – Basic	187,256,434	186,568,890	187,176,219	186,553,253	
Weighted average number of shares – Diluted	190,083,645	188,597,426	189,916,683	188,172,101	

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

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21 October 2021

Subramanian Narayan

Senior Vice President & Company Secretary

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21 October 2021

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 2020	186.54	1,865.43
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2020	186.54	1,865.43
Issue of shares	0.09	0.87
As at 30 September 2020	186.63	1,866.30
As at 1 April 2021	187.04	1,870.49
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 1 April 2021	187.04	1,870.49
Issue of shares	0.26	2.56
As at 30 September 2021	187.30	1,873.05

b. Other equity

(₹ million)

	Attributable to the equity owners of the Company									
	Reserves and surplus							Items of OCI		Total
	a	b	c	d	e	f	g	h	i	
	Securities premium	General reserve	Retained earnings	Capital reserve	Capital redemption reserve	Economic Zone re-investment reserve	Special Share based payments reserve	Hedging reserve	Foreign currency translation reserve	
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	-	-	5,743.43	-	-	-	-	-	-	5,743.43
Other comprehensive income	-	-	(27.71)	-	-	-	-	1,068.51	(423.89)	616.91
Dividends	-	-	(6,529.88)	-	-	-	-	-	-	(6,529.88)
Transferred to Special Economic Zone re-investment reserve	-	-	(386.37)	-	-	386.37	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	309.00	-	-	(309.00)	-	-	-	-
Share based expenses	-	-	-	-	-	-	69.46	-	-	69.46
Issue of shares on exercise of stock options	54.39	1.40	-	-	-	-	(11.98)	-	-	43.81
As at 30 September 2020	320.57	2,004.97	43,872.84	361.39	251.66	1,837.89	638.69	237.01	6,849.27	56,374.29
As at 1 April 2021	596.40	2,031.08	50,262.91	361.39	251.66	1,839.95	588.65	606.55	6,858.02	63,396.61
Profit for the period	-	-	6,811.43	-	-	-	-	-	-	6,811.43
Other comprehensive income	-	-	(133.90)	-	-	-	-	283.47	333.19	482.76
Dividends	-	-	(12,175.63)	-	-	-	-	-	-	(12,175.63)
Transferred to Special Economic Zone re-investment reserve	-	-	(918.58)	-	-	918.58	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	222.95	-	-	(222.95)	-	-	-	-
Share based expenses	-	-	-	-	-	-	36.42	-	-	36.42
Issue of shares on exercise of stock options	189.74	-	-	-	-	-	(42.07)	-	-	147.67
As at 30 September 2021	786.14	2,031.08	44,069.18	361.39	251.66	2,535.58	583.00	890.02	7,191.21	58,699.26

Loss of ₹ 133.90 and ₹ 27.71 on re-measurement of defined employee benefit plans (net of tax) is recognised as part of retained earnings for six months ended 30 September 2021 and 30 September 2020, respectively.

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 will be utilized in accordance with the provisions of section 69 of the Companies Act, 2013.

Mphasis Limited
Condensed consolidated interim financial statements

- f. **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.
- g. **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.
- h. **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.
- i. **Foreign currency translation reserve ('FCTR')** - Exchange differences 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 OCI and accumulated in the FCTR. 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**

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

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

Amit Somani

Partner

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21 October 2021

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21 October 2021

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	(₹ million)	
	Six months ended 30 September 2021	Six months ended 30 September 2020
Operating activities		
Profit before tax	9,177.13	7,803.86
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation and amortization expense	1,283.16	1,194.23
(Profit) /loss on sale of property, plant and equipment and intangible assets	(4.93)	0.14
Net gain on investments carried at fair value through profit and loss	(502.26)	(430.91)
Share based payment expenses	36.42	69.46
Provision for expected credit loss	37.86	76.94
Finance costs	319.37	342.12
Interest income	(159.84)	(106.09)
Others	(20.50)	(21.10)
Unrealized exchange gain, net	(59.07)	(2.56)
Operating profit before changes in operating assets and liabilities	10,107.34	8,926.09
Changes in operating assets and liabilities		
Trade receivables and unbilled receivables	(1,576.39)	(353.57)
Loans	104.80	182.95
Other financial assets	(55.09)	51.82
Other assets	(23.90)	702.59
Trade payables	763.95	(1,641.65)
Other financial liabilities	174.56	201.29
Other liabilities	334.41	777.72
Provisions and employee benefit obligations	418.61	62.32
Total changes in operating assets and liabilities	140.95	(16.53)
Income tax paid (net of refunds)	(2,027.25)	(1,635.37)
Net cash flows generated from operating activities (A)	8,221.04	7,274.19
Investing activities		
Purchase of property, plant and equipment and intangible assets	(387.61)	(650.91)
Proceeds from sale of property, plant and equipment and intangible assets	5.91	0.20
Purchase of investments	(29,006.86)	(47,295.36)
Sale of investments	27,861.00	44,181.41
Interest received	138.65	73.40
Payment for business acquisition, net of cash acquired (₹ 200.39) (refer note 4)	(5,218.80)	-
Investments in bank deposits	(486.52)	(1,551.52)
Redemption / maturity of bank deposits	1,713.17	610.63
Net cash flows used in investing activities (B)	(5,381.06)	(4,632.15)
Financing activities		
Proceeds from issue of shares	150.23	44.68
Repayment of borrowings	(8,553.48)	(5,619.93)
Availment of borrowings	9,525.15	5,558.02
Interest paid	(315.95)	(330.02)
Repayment of lease liabilities	(672.34)	(677.99)
Dividends paid	(2.77)	(6,522.99)
Net cash flows generated from / (used in) financing activities (C)	130.84	(7,548.23)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	2,970.82	(4,906.19)
Effect of exchange rate changes	25.12	46.65
Cash and cash equivalents at the beginning of the period	7,711.44	9,880.01
Cash and cash equivalents at the end of the period	10,707.38	5,020.47
Components of cash and cash equivalents		
In current accounts	10,355.20	4,523.93
Deposits with original maturity of less than 3 months	352.00	496.51
Cash on hand	0.18	0.03
Total cash and cash equivalents	10,707.38	5,020.47

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 & Managing Director

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Chief Financial Officer

Bengaluru

21 October 2021

Subramanian Narayan

Senior Vice President & Company Secretary

Bengaluru

Bengaluru

21 October 2021

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') as at and for the quarter and six months ended 30 September 2021. 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 specializes 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 six months ended 30 September 2021 have been approved by the Board of Directors on 21 October 2021.

List of subsidiaries with percentage holding

Subsidiaries	Country of incorporation	Parent	% of holding	
			30 September 2021	31 March 2021
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	100
Datalytx MSS Limited	United Kingdom	Datalytx Limited	100	100
Dynamyx Limited	United Kingdom	Datalytx Limited	100	100
Mphasis Digi Information Technology Services (Shanghai) Limited [refer note 1 (d)]	China	Mphasis (Shanghai)	100	-
		Software & Services Company Limited		
Blink Interactive, Inc **	USA	Mphasis Corporation	100	-
Redshift Digital Inc **	USA	Blink Interactive, Inc	100	-
Redshift Canada ULC **	Canada	Redshift Digital Inc	100	-

* Forms part of Digital Risk group.

** Acquired with effect from 21 September 2021 (refer note 4).

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.
 - d) On 26 May 2021, Mphasis Digi Information Technology Services (Shanghai) Limited was incorporated as a wholly owned subsidiary under Mphasis (Shanghai) Software & Services Company Limited.

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.
- Contingent consideration pertaining to business combination

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle of 12 months. Current assets do not include elements which are not expected to be realised within 12 months and current liabilities do not include items which are due after 12 months, the period of 12 months being reckoned from the reporting date.

The Group's condensed consolidated interim financial statements are presented in Indian Rupee ('₹'). The functional currency of the Company and its Indian subsidiaries is Indian Rupee ('₹'). The functional currency of foreign subsidiaries is the currency of the primary economic environment in which the entity operates. 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 2021. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related notes as at and for the year ended 31 March 2021.

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, both internal and external, up to 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. RECENT PRONOUNCEMENTS

The Ministry of Corporate Affairs (MCA) vide Notification dated 18 June 2021 notified the new Companies (Indian Accounting Standard) Amendment Rules, 2021. The notification has made amendments to various Ind AS. Some of the key amendments are:

Ind AS - 116 Leases

The practical expedient relating to rent concessions arising as a result of Covid-19 allowed lessees to not consider Covid-19 related rent concessions to be a lease modification provided the lease payments were originally due on or before 30 June 2021. The relief provided by the practical expedient has now been extended and is applicable to all lease payments originally due on or before 30 June 2022. The said amendment is applicable for annual reporting periods beginning on or after 1 April 2021.

Interest rate benchmark reform - Phase 2

This amendment relates to 'Interest Rate Benchmark Reform — Phase 2 (Amendments to Ind AS 104, Ind AS 107, Ind AS 109 and Ind AS 116)' which addresses issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. Some of the key amendments arising from the interest rate benchmark reforms are:

Ind AS 109: New guidance has been included on changes in the basis for determining the contractual cashflows as a result of interest rate benchmark reform. An entity should apply the amendments for annual reporting periods beginning on or after 1 April 2021.

Ind AS 107: To enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy, an entity shall disclose information about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, and how the entity manages these risks.

An entity should apply the amendments when it applies amendments to Ind AS 109, Ind AS 104 or Ind AS 116.

Amendments to Ind AS consequential to Conceptual Framework under Ind AS

The amendments to various Ind ASs are in terms of substituting the definition of certain terms used in the standard along with aligning the Standards with the Conceptual Framework of Financial reporting under Ind ASs, released in August 2020. The revised Conceptual Framework introduced some new concepts and clarifications along with revision in definitions and changes in recognition criteria of assets and liabilities under Ind AS. These Ind AS include: Ind AS 102, Share-based Payment; Ind AS 103, Business Combinations; Ind AS 106, Exploration for and Evaluation of Mineral Resources; Ind AS 114, Regulatory Deferral Accounts; Ind AS 1, Presentation of Financial Statements; Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Ind AS 34, Interim Financial Reporting; Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets; Ind AS 38, Intangible Assets.

The Group does not expect the above amendments to have any significant impact on its condensed consolidated interim financial statements.

4. BUSINESS COMBINATION

Blink Interactive, Inc

On 21 September 2021, the Company through its wholly owned subsidiary, Mphasis Corporation, obtained control of Blink Interactive, Inc and its subsidiaries ('Blink') by acquiring 100% of its shares in cash. Blink is a user experience research, strategy, and design firm that works with some of the leading enterprises to create transformative digital products, brands, and experiences for clients. The acquisition seeks to boost Mphasis' Experience competencies with end-to-end capabilities in User Experience Research, Strategy, Design, and Implementation.

The acquisition was executed through a merger agreement for a consideration of USD 93.39 million (₹ 6,932.70 million) including the fair value of earnout consideration payable amounting to USD 18.58 million (₹ 1,378.99 million). The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill.

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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		655.18	-	655.18
Customer contracts and relationships	0.5-5 years	-	397.95	397.95
Non-compete	1-5 years	-	384.42	384.42
Brand	5 years	-	337.43	337.43
Total		655.18	1,119.80	1,774.98
Goodwill				5,157.72
Total purchase price				6,932.70

Net assets acquired include ₹ 200.39 million of cash and cash equivalents and trade and other receivables valued at ₹ 580.33 million. Trade and other receivables are expected to be collected in full.

Goodwill of ₹ 5,157.72 million comprises value of acquired workforce and expected synergies arising from the acquisition. The Group is assessing the deductibility of identified intangible assets and goodwill for tax purposes. Goodwill has been allocated to the Blink Cash Generation Unit ('CGU').

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

Had the above acquisition occurred on 1 April 2021, management estimates that the consolidated revenue and net profit would have been higher by approximately ₹ 1,281.00 million and ₹ 358.00 million respectively for the period ended 30 September 2021. 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.

Datalytx

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 final allocation of purchase price:

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.

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 CGU.

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

5. FINANCIAL INSTRUMENTS

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

Particulars (as at 30 September 2021)	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	10,707.38	10,707.38
Bank balances other than cash and cash equivalents	-	-	-	1,520.61	1,520.61
Investments	18,508.80	-	-	1,599.50	20,108.30
Trade receivables	-	-	-	9,972.06	9,972.06
Loans	-	-	-	57.02	57.02
Derivative assets	-	1,425.25	95.01	-	1,520.26
Unbilled receivables	-	-	-	10,666.71	10,666.71
Other financial assets	-	-	-	3,178.67	3,178.67
Total	18,508.80	1,425.25	95.01	37,701.95	57,731.01
Financial liabilities					
Borrowings	-	-	-	6,146.12	6,146.12
Lease liabilities	-	-	-	8,132.09	8,132.09
Trade payables	-	-	-	6,769.46	6,769.46
Derivative liabilities	-	59.98	36.12	-	96.10
Other financial liabilities	1,384.75	-	-	14,426.72	15,811.47
Total	1,384.75	59.98	36.12	35,474.39	36,955.24

(₹ million)

Particulars (as at 31 March 2021)	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	7,711.44	7,711.44
Bank balances other than cash and cash equivalents	-	-	-	2,910.98	2,910.98
Investments	15,370.59	-	-	3,089.59	18,460.18
Trade receivables	-	-	-	9,294.82	9,294.82
Loans	-	-	-	154.45	154.45
Derivative assets	-	1,034.33	77.30	-	1,111.63
Unbilled receivables	-	-	-	9,210.05	9,210.05
Other financial assets	-	-	-	2,959.51	2,959.51
Total	15,370.59	1,034.33	77.30	35,330.84	51,813.06
Financial liabilities					
Borrowings	-	-	-	5,134.50	5,134.50
Lease liabilities	-	-	-	6,676.52	6,676.52
Trade payables	-	-	-	5,963.96	5,963.96
Derivative liabilities	-	103.31	9.43	-	112.74
Other financial liabilities	-	-	-	3,168.44	3,168.44
Total	-	103.31	9.43	20,943.42	21,056.16

Fair value hierarchy

Particulars	As at 30 September 2021				As at 31 March 2021			
	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	18,508.80	15,298.49	3,210.31	-	15,370.59	12,955.32	2,415.27	-
Derivative assets	1,520.26	-	1,520.26	-	1,111.63	-	1,111.63	-
Liabilities								
Derivative liabilities	96.10	-	96.10	-	112.74	-	112.74	-
Other financial liabilities	1,384.75	-	-	1,384.75	-	-	-	-

6. CONTINGENT LIABILITIES AND COMMITMENTS

a. The Group has disputes with income tax authorities in India and other jurisdictions where they operate. The ongoing disputes pertain to various assessment years from 2002-03 to 2017-18. 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 ₹ 11,463.45 million (31 March 2021: ₹ 9,033.09 million).

In relation to other tax demands not included above, the Group has furnished bank guarantees amounting to ₹ 6,661.95 million (31 March 2021: ₹ 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.

b. Other outstanding bank guarantees as at 30 September 2021: ₹ 196.07 million (31 March 2021: ₹ 194.98 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 ₹ 800.15 million (31 March 2021: ₹ 800.15 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 30 September 2021: ₹ 377.11 million (31 March 2021: ₹ 241.62 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 Code will have an impact on the contributions towards gratuity and provident fund made by the Company and its Indian subsidiaries. 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. During the current quarter, Banking and Capital Markets business segment has been renamed as Banking and Financial Services and Information Technology Communication and Entertainment business segment has been renamed as Technology Media and Telecom. The business segments identified are Banking and Financial Services, Logistics and transportation, Technology Media and Telecom, Insurance, and Others.

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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 30 September 2021	Quarter ended 30 September 2020	Six months ended 30 September 2021	Six months ended 30 September 2020
Segment revenue				
Banking and Financial Services	15,532.31	12,949.92	29,237.82	24,189.61
Logistics and Transportation	3,724.66	2,979.25	7,468.26	6,213.64
Technology Media and Telecom	3,562.94	2,860.32	7,363.90	6,118.24
Insurance	2,502.91	2,307.59	4,948.74	4,600.84
Others	3,136.82	3,140.98	6,189.56	6,152.60
Unallocated - hedge	232.63	116.23	392.33	(38.50)
Total segment revenue	28,692.27	24,354.29	55,600.61	47,236.43
Segment result				
Banking and Financial Services	3,591.41	3,255.54	6,688.94	6,002.74
Logistics and Transportation	1,460.40	1,126.70	3,021.82	2,360.63
Technology Media and Telecom	689.82	563.36	1,196.64	1,167.56
Insurance	674.39	748.48	1,406.62	1,402.73
Others	1,118.00	1,100.47	2,225.32	2,160.37
Unallocated - hedge	232.63	116.23	392.33	(38.50)
Total segment result	7,766.65	6,910.78	14,931.67	13,055.53
Finance costs	(162.66)	(147.45)	(319.37)	(342.12)
Other income	439.38	261.17	906.50	637.88
Other unallocable expenditure	(3,446.75)	(2,986.31)	(6,341.67)	(5,547.43)
Profit before taxation	4,596.62	4,038.19	9,177.13	7,803.86
Income taxes	1,182.05	1,045.91	2,365.70	2,060.43
Profit after taxation	3,414.57	2,992.28	6,811.43	5,743.43
Geographic revenues				
Americas	22,209.72	18,929.30	42,619.74	36,625.47
India	1,527.50	1,100.72	2,783.96	2,048.42
EMEA	3,433.95	2,624.12	6,676.60	5,373.43
ROW	1,288.47	1,583.92	3,127.98	3,227.61
Unallocated - hedge	232.63	116.23	392.33	(38.50)
Total	28,692.27	24,354.29	55,600.61	47,236.43

9. DISSAGGREGATION OF REVENUE

Services rendered				
Application Services	17,391.79	14,300.04	33,953.41	28,995.26
Business Process Services	7,432.66	6,434.11	14,604.62	11,286.21
Infrastructure Services	3,635.19	3,503.91	6,650.25	6,993.46
Unallocated - hedge	232.63	116.23	392.33	(38.50)
Total	28,692.27	24,354.29	55,600.61	47,236.43
Delivery location				
Onsite	16,571.25	14,224.35	32,291.16	28,028.64
Offshore	11,888.39	10,013.71	22,917.12	19,246.29
Unallocated - hedge	232.63	116.23	392.33	(38.50)
Total	28,692.27	24,354.29	55,600.61	47,236.43
Project type				
Time and material	16,547.26	14,327.22	32,035.96	27,855.93
Fixed price	7,363.82	6,078.86	14,317.39	12,081.99
Transaction based	4,548.56	3,831.98	8,854.93	7,337.01
Unallocated - hedge	232.63	116.23	392.33	(38.50)
Total	28,692.27	24,354.29	55,600.61	47,236.43
Market				
Direct	26,126.72	19,823.42	49,928.55	37,898.20
DXC	1,838.41	3,933.56	4,305.75	8,555.25
Others	494.51	481.08	973.98	821.48
Unallocated - hedge	232.63	116.23	392.33	(38.50)
Total	28,692.27	24,354.29	55,600.61	47,236.43

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 INR. 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 30 September 2021			As at 31 March 2021		
	Number of contracts	Notional amount (million in respective currencies)	Fair value gain / (loss) (₹ million)	Number of contracts	Notional amount (million in respective currencies)	Fair value gain / (loss) (₹ million)
USD	488	684.50	1,135.72	452	599.50	947.19
GBP	81	15.60	54.72	76	14.31	(23.75)
EUR	95	28.46	120.87	100	24.33	59.46
CAD	72	13.85	12.91	53	13.25	(11.99)
AUD	81	19.44	41.05	77	17.19	(39.89)
Total			1,365.27			931.02

The Group has entered into derivative instruments not in hedging relationship by way of foreign exchange forwards. As at 30 September 2021 and 31 March 2021, the notional amount of outstanding contracts aggregated to ₹ 13,640.76 million and ₹ 9,923.05 million, respectively. The fair value of these contracts has a net gain of ₹ 58.89 million and ₹ 67.88 million as at 30 September 2021 and 31 March 2021 respectively.

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

	Six months ended	
	30 September 2021	30 September 2020
Balance at the beginning of the period	606.55	(831.50)
Change in fair value of effective portion of cash flow hedges	826.58	1,605.51
(Gain) / loss transferred to statement of profit and loss on occurrence of forecasted hedges	(392.33)	38.50
Income tax effect on the above	(150.78)	(575.50)
Total	890.02	237.01

Sensitivity analysis

For every 1% appreciation / depreciation of the respective underlying foreign currencies, the Group's OCI will decrease / increase by approximately ₹ 564.48 million (31 March 2021: ₹ 489.00 million).

11. RELATED PARTY TRANSACTIONS

During the quarter, the Company has accrued an amount of ₹ 6,130.78 million (net of withholding taxes ₹ 681.20 million) payable to BCP Topco IX Pte. Ltd, the holding company towards final dividend for the year ended 31 March 2021 as approved by the shareholders.

During the previous 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 as approved by the shareholders.

Change in control

For the period upto 10 August 2021, the holding company and ultimate holding company were Marble II Pte Ltd. and Blackstone Capital Partners (Cayman II) VI L.P respectively. On 10 August 2021, Marble II Pte Ltd. sold the shares held in the Company to BCP Topco IX Pte. Ltd. This consequently led to a change of control. Accordingly, with effect from 10 August 2021, the holding company and ultimate holding company are BCP Topco IX Pte. Ltd and BCP Asia (SG) Mirror Holding Pte Ltd respectively.

Remuneration to Key Management Personnel

Marble II Pte Ltd. ('Marble') (being the erstwhile Promoter of the Company) has covered certain identified employees of the Group under an Exit Return Incentive Plan ('the ERI Plan') of Marble, under which Marble could make direct payments upon satisfaction of specified conditions therein, at Marble's discretion. The ERI Plan was approved by the Board of Directors of the Company on 25 May 2017 and the shareholders of the Company at the Annual General Meeting held on 26 July 2017, as required under Regulation 26(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. There is no financial impact / burden to the Company for the payments to be made pursuant to the ERI Plan by Marble. Marble has, since its exit as a shareholder of the Company, made payments of ₹ 701.90 million in aggregate under the ERI Plan to the key management personnel of the Group.

Expenses incurred on behalf of related parties

Marble II Pte. Limited

₹ 835.00 million represents the amount paid by Marble under the ERI Plan that was payable to certain identified persons on the payroll of Mphasis Corporation and was routed through Mphasis Corporation (on behalf of Marble) on account of requirements under applicable US tax laws. Mphasis Corporation passed on the requisite payments to these identified persons (on behalf of Marble) net of applicable US taxes and deposited the requisite taxes with the relevant US tax authorities. The payments under the ERI Plan do not form part of the remuneration payable by the Group to these persons, nor was there any financial burden on the Group on account of this arrangement.

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 six months ended 30 September 2021.

12. FINAL DIVIDEND

The Board of Directors at their meeting held on 13 May 2021 had proposed a final dividend of ₹ 65 per equity share for the year ended 31 March 2021 which has been approved by the shareholders at the Annual General Meeting held on 29 September 2021. The liability was accrued as at 30 September 2021 and the same has subsequently paid on 4 October 2021.

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 & Managing Director

New York

Narayanan Kumar

Director

Chennai

Bengaluru

21 October 2021

Manish Dugar

Chief Financial Officer

Bengaluru

21 October 2021

Subramanian Narayan

Senior Vice President & Company Secretary

Bengaluru