

Group Financial Overview and Trends for the Quarter ending 30 Sep 2023

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Overview of Quarterly Results

Safe Harbor:

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Mphasis will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

1. Key Highlights

- Gross Revenue grew 0.7% QoQ and declined 6.5% YoY in Q2 FY24 on reported basis and remained flat QoQ and declined 10.1% YoY in Constant Currency. FYTD revenue declined 5.1% YoY on reported basis and 9.3% in Constant Currency.
- Direct revenue grew 1.0% QoQ and declined 5.2% YoY on a reported basis in Q2 FY24 and grew 0.3% QoQ and declined 8.9% YoY in Constant Currency. FYTD revenue declined 3.7% YoY on reported basis and 8.1% in Constant Currency.
- DXC revenue declined 5.6% QoQ and 34.5% YoY in Q2 FY24 on a reported basis and declined 6.1% QoQ and 36.2% YoY in Constant Currency. FYTD revenue declined 32.2% YoY on reported basis and 34.4% in Constant Currency.
- New TCV wins of USD 255 million in Q2 FY24 in Direct. FYTD TCV wins of USD 961 million.
- Net profit declined 1.0% QoQ and 6.3% YoY to ₹ 3,919 million in Q2 FY24.
- EPS declined 1.1% QoQ and 6.6% YoY to ₹ 20.8 in Q2 FY24.

2. Revenue

a. Overall

- Gross Revenue grew 0.7% QoQ and declined 6.5% YoY in Q2 FY24 on reported basis and remained flat QoQ and declined 10.1% YoY in Constant Currency.

b. Direct

- Direct revenue grew 1.0% QoQ and declined 5.2% YoY on a reported basis in Q2 FY24 and grew 0.3% QoQ and declined 8.9% YoY in Constant Currency.
- Won new deals with TCV of USD 255 million in Q2 FY24 with 70% of the deal wins in New-Gen Services.

c. DXC

- In Q2 FY 24, revenue declined 5.6% QoQ and 34.5% YoY on a reported basis and declined 6.1% QoQ and 36.2% YoY in Constant Currency.
- DXC contributed 3.2% of the overall gross revenue in Q2 FY24.

3. **Financial indicators**

a. **Revenues**

- Net Revenue grew 0.8% QoQ and declined 6.9% YoY in Q2 FY24 to ₹ 32,765 million in reported terms. Net Revenue remained flat QoQ and declined 10.4% YoY in Constant Currency.

b. **Gross Profit**

- Gross profit declined 0.4% QoQ and 5.8% YoY to ₹ 8,781 million in Q2 FY24. Gross margin declined 30 bps QoQ and grew 30 bps YoY to 26.8% in Q2 FY24.

c. **Operating Profit (EBIT)**

- Operating profit grew 1.4% QoQ and declined 5.8% YoY to ₹ 5,067 million in Q2 FY24.
- Operating Margin grew 10 bps QoQ and 20 bps YoY to 15.5% in Q2 FY24.

d. **Net Profit**

- Net profit declined 1.0% QoQ and 6.3% YoY to ₹ 3,919 million in Q2 FY24.
- Net Margin declined 20 bps QoQ and grew 10 bps YoY to 12.0% in Q2 FY24.

e. **Earnings per Share**

- EPS declined 1.1% QoQ and 6.6% YoY to ₹ 20.8 in Q2 FY24.

4. **Cash Management**

- Cash and cash equivalents decreased by ₹ 1,672 million during the quarter to ₹30,060 million (USD 362M). Net operating cash generated during the quarter was ₹ 7,154 million (USD 86M).

5. **Deal Wins**

- One of the largest banks in America is expanding its mortgage servicing partnership with Mphasis in end-to-end first mortgage.
- An American smartphones manufacturer is engaging Mphasis to provide managed capacity services at its offshore development center, for various initiatives including, software product development, Mobile application development and maintenance based on various operating systems.
- An existing North American Healthcare client has chosen Mphasis to modernize their cyber security program, addressing their risk management & regulatory compliance challenges. This deal is a demonstration of High-touch, High-Trust and High-tech values of Mphasis, aiding the customer in their strategic direction.

Consolidated Profit and Loss Account

₹ Million

	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	QoQ Growth %	Quarter ended 30 Sep 2022	YoY Growth %
Gross Revenues	32,964	32,719	0.7%	35,273	-6.5%
Profit / (loss) on cash flow hedges reclassified to revenue	(199)	(199)		(75)	
Net Revenues	32,765	32,520	0.8%	35,198	-6.9%
<i>Cost of revenues</i>	23,984	23,703	1.2%	25,880	-7.3%
Manpower and Other Cost	23,311	23,050	1.1%	25,315	-7.9%
Depreciation and Amortization	673	653	3.1%	565	19.1%
Gross profit	8,781	8,817	-0.4%	9,318	-5.8%
GM%	26.8%	27.1%	-0.3%	26.5%	0.3%
<i>Selling expenses</i>	2,000	2,035	-1.7%	2,007	-0.3%
Manpower and Other Cost	1,968	2,005	-1.8%	1,986	-0.9%
Depreciation and Amortization	32	30	6.7%	21	52.4%
SE %	6.1%	6.3%	-0.2%	5.7%	0.4%
<i>General and administrative expenses</i>	1,714	1,787	-4.1%	1,935	-11.4%
Manpower and Other Cost	1,530	1,596	-4.1%	1,720	-11.0%
Depreciation and Amortization	184	191	-3.7%	215	-14.4%
G&A %	5.2%	5.5%	-0.3%	5.5%	-0.3%
Operating profit	5,067	4,995	1.4%	5,376	-5.8%
Operating Margin	15.5%	15.4%	0.1%	15.3%	0.2%
Foreign exchange gain, net	47	50	-4.3%	150	-68.4%
Other income, net	443	454	-2.4%	284	55.8%
Interest expenses	(340)	(241)		(260)	
Profit before taxation	5,217	5,258	-0.8%	5,551	-6.0%
Income taxes	1,297	1,297	0.0%	1,366	-5.0%
-Current	1,393	1,634		1,501	
-Deferred	(95)	(337)		(135)	
Net profit	3,919	3,961	-1.0%	4,185	-6.3%
Earning per share (par value ₹10)	20.8	21.0	-1.1%	22.2	-6.6%

Note: The figures of the previous periods have been regrouped / reclassified wherever necessary to conform to the current period's classification.

Key Performance Indicators

		Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
PROFIT AND LOSS ACCOUNT				
Gross Revenue (\$ Mn)		398.4	398.1	440.3
Gross margin	%	26.8%	27.1%	26.5%
Selling expenses	%	6.1%	6.3%	5.7%
General and administrative expenses	%	5.2%	5.5%	5.5%
Operating margin	%	15.5%	15.4%	15.3%
EBITDA margin	%	18.2%	18.0%	17.6%
PBT margin	%	15.9%	16.2%	15.8%
PAT margin	%	12.0%	12.2%	11.9%
Effective tax rate	%	24.9%	24.7%	24.6%
EPS (Basic)	₹	20.8	21.0	22.2

Exchange Rates

		Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
₹ / \$				
Period Closing Rate		83.05	82.04	81.35
Average Exchange Rate		82.73	82.20	80.12

Consolidated Balance sheet

₹ Million

	30 Sep 2023	30 Jun 2023	30 Sep 2022
ASSETS			
Non Current Assets			
PPE & Intangibles	4,835	4,652	3,885
Capital work in progress	376	387	140
Right-of-use assets	8,100	7,284	6,091
Goodwill	33,975	32,318	29,182
Investments	4,680	3,890	4,185
Debtors	2,427	2,378	983
Deferred Tax Assets	2,628	2,460	2,728
Others Assets	8,213	7,556	7,226
Total Non Current Assets	65,234	60,925	54,420
Current Assets			
Debtors	23,836	25,938	25,209
Investments	14,808	17,253	9,746
Cash and bank balances	10,547	10,565	10,520
Other Assets	8,655	10,271	11,578
Total Current Assets	57,846	64,027	57,053
Total Assets	123,080	124,953	111,472
Liabilities and Shareholder's Equity			
Total Share Holder's Equity	76,605	82,006	67,978
Employee stock options outstanding	2,498	2,257	1,793
Total Equity	79,103	84,263	69,771
Non Current Liabilities			
Lease liabilities	7,532	6,647	5,770
Deferred Tax Liabilities	1,047	1,067	852
Other Non Current Liabilities	4,144	3,312	3,409
Total Non Current Liabilities	12,723	11,026	10,031
Current Liabilities			
Borrowings	6,597	2,906	3,360
Lease liabilities	1,674	1,723	1,320
Trade Payables	8,180	8,486	9,471
Other Liabilities	14,803	16,548	17,520
Total current liabilities	31,254	29,663	31,671
TOTAL EQUITY AND LIABILITIES	123,080	124,953	111,472

Note: The figures of the previous periods have been regrouped / reclassified wherever necessary to conform to the current period's classification.

Key Performance Indicators

		Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
BALANCE SHEET				
Cash & cash equivalents	₹ Million	30,060	31,732	24,490
Receivables	Days	70	78	67

Cash and bank balance and Investment of cash surplus

Cash and cash equivalents consist of cash & bank balances and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It also includes restricted deposits amounting to ₹ 25 million (Q1 FY24 - ₹ 24 million, Q2 FY23 - ₹ 39 million).

The Group's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds, fully hedged arbitrage funds, State government securities, highly rated listed non-convertible debentures, zero coupon bonds and fixed maturity plans (FMP). Stringent guidelines have been set for de-risking counter party exposures. The Group maintains balances both in Indian Rupee and foreign currency accounts in India and overseas. The investment philosophy of the Group in general is to ensure capital preservation and liquidity in preference to returns. All the investments are recorded and valued as per the relevant Indian Accounting Standards (Ind AS).

Primary Segment Information

	₹ Million				
	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	QoQ Growth %	Quarter ended 30 Sep 2022	YoY Growth %
Segment Revenue					
Banking and Financial Services	15,542	16,121	-3.6%	18,893	-17.7%
Insurance	3,544	3,443	2.9%	3,530	0.4%
Technology Media and Telecom	5,703	4,927	15.7%	4,915	16.0%
Logistics & Transportation	4,407	4,630	-4.8%	4,564	-3.4%
Others	3,768	3,598	4.7%	3,371	11.8%
Total Revenues	32,964	32,719	0.7%	35,273	-6.5%
Segment Profit					
Banking and Financial Services	3,458	4,211	-17.9%	4,963	-30.3%
Insurance	692	917	-24.5%	1,046	-33.8%
Technology Media and Telecom	2,226	1,127	97.5%	1,045	113.0%
Logistics & Transportation	1,269	1,411	-10.1%	1,237	2.6%
Others	1,334	1,351	-1.3%	1,102	21.1%
Total Segment Profit	8,979	9,017	-0.4%	9,393	-4.4%
Gross Margin %					
Banking and Financial Services	22.2%	26.1%	-3.9%	26.3%	-4.1%
Insurance	19.5%	26.6%	-7.1%	29.6%	-10.1%
Technology Media and Telecom	39.0%	22.9%	16.1%	21.3%	17.7%
Logistics & Transportation	28.8%	30.5%	-1.7%	27.1%	1.7%
Others	35.4%	37.5%	-2.1%	32.7%	2.7%
Total	27.2%	27.6%	-0.4%	26.6%	0.6%

Notes:

Segment results exclude Profit / (loss) on cash flow hedges reclassified to revenue.

Effective Q2 FY22 'Banking and Capital Markets' segment has been renamed to 'Banking and Financial Services', and 'Information Technology, Communication & Entertainment' segment has been renamed to 'Technology, Media & Telecom'. There is no reclassification of numbers.

'Others' segment includes Healthcare, Manufacturing & Retail etc.

The figures of the previous periods have been regrouped / reclassified wherever necessary to conform to the current period's classification.

Analysis of Revenues

Revenues reported in the tables below exclude Profit / (loss) on cash flow hedges reclassified to revenue

(a) By Delivery Location

	₹ Million		
	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
Onsite	17,171 52.1%	17,044 52.1%	20,037 56.8%
Offshore	15,793 47.9%	15,675 47.9%	15,236 43.2%
Total	32,964	32,719	35,273

(b) By Project Type

	₹ Million		
	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
Time and Material	19,277 58.5%	18,890 57.7%	19,770 56.0%
Transaction Based*	3,401 10.3%	3,343 10.2%	4,904 13.9%
Fixed Price	10,286 31.2%	10,485 32.0%	10,599 30.0%
Total	32,964	32,719	35,273

*Transaction based revenue comprises of projects where the commercials are based on unit of Output

(c) By Secondary Market Segment

	₹ Million		
	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
Direct	31,350 95.1%	31,042 94.9%	33,064 93.7%
DXC	1,070 3.2%	1,133 3.5%	1,633 4.6%
Others	544 1.7%	544 1.7%	576 1.6%
Total	32,964	32,719	35,273

(d) By Geography

	₹ Million		
	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
AMERICAS	26,109 79.2%	26,524 81.1%	28,978 82.2%
EMEA	3,944 12.0%	3,402 10.4%	3,472 9.8%
INDIA	1,969 6.0%	1,858 5.7%	1,728 4.9%
ROW	942 2.9%	935 2.9%	1,095 3.1%
Total	32,964	32,719	35,273

(e) By Service Type

	₹ Million		
	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
Application Services	23,226 70.5%	23,239 71.0%	23,788 67.4%
Business Process Services	5,556 16.9%	5,304 16.2%	7,231 20.5%
Infrastructure Services	4,181 12.7%	4,177 12.8%	4,254 12.1%
Total	32,964	32,719	35,273

(f) Client Metrics

	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
Revenues from Top Client	16%	17%	16%
Revenues from Top 5 Clients	47%	47%	49%
Revenues from Top 10 Clients	58%	59%	61%
Clients Contributing :			
\$ 200 million Revenues	1	1	1
\$ 150 million Revenues	3	3	3
\$ 100 million Revenues	3	3	4
\$ 75 million Revenues	4	5	6
\$ 50 million Revenues	6	6	6
\$ 20 million Revenues	11	12	11
\$ 10 million Revenues	26	26	23
\$ 5 million Revenues	46	46	44
\$ 1 million Revenues	115	112	103
New client wins	5*	5	5

**Does not include clients added through the acquisition*

Notes:

1. Client Concentration is based on Trailing Twelve Months (TTM).
2. Client metrics exclude DXC

Tower Information

(a) Headcount

	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
Onsite - billable			
- Technology Services*	4,504	4,517	5,082
- BPO Services	1,319	1,307	2,056
Offshore - billable			
- Technology Services	15,425	16,005	18,514
- BPO Services	6,418	6,459	5,839
Total billable headcount	27,665	28,288	31,490
Total headcount**	33,771	33,961	36,876

*Technology Services include Application & Infrastructure Services

**Includes billable contractors, sales and marketing and general and administration employees

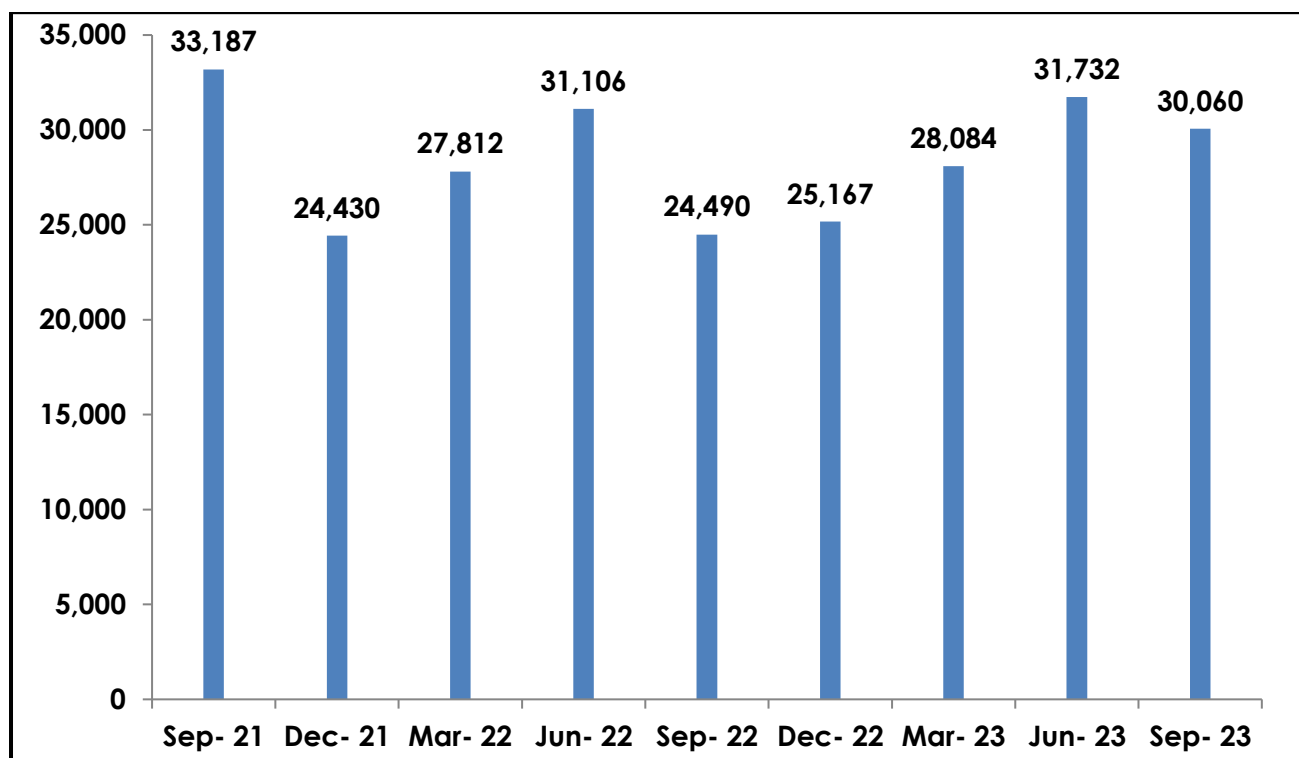
(b) Utilization Rates *

	Quarter ended 30 Sep 2023	Quarter ended 30 Jun 2023	Quarter ended 30 Sep 2022
Including Trainees			
Onsite	87%	89%	87%
Offshore	72%	75%	68%
Excluding Trainees			
Offshore	77%	80%	72%

* Utilization data for Technology services business

Trends

Cash and cash equivalents - ₹ million



Receivables Days

