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**December 03, 2012**  
**The Economic Times**  
Bangalore

## MphasiS buys US Data Analytics Firm Digital Risk for \$200m

**LISON JOSEPH**  
BANGALORE

MphasiS, owned by computer-maker Hewlett-Packard, has acquired Florida, US-based data analytics company Digital Risk LLC, for \$200 million (about Rs 1,100 crore) in an all-cash deal, a senior executive of the company said.

The transaction value also includes about \$25-30 million in milestone-based payments that are staggered over the next 2-3 years.

"For the past 15 months or so, we have been looking for a specialised company in the banking and capital markets space and Digital Risk presented the best opportunity," said Ganesh Ayyar, chief executive of MphasiS, which over the past year or two has been focusing more on catering to the financial services industry. MphasiS' discussions with Digital Risk have been ongoing for about two months.

The transaction is expected to close by January 31, 2013 subject to regulatory approvals. Upon completion,



### **SPECIALISED TRANSACTION**

Digital Risk will operate as a standalone business unit within MphasiS, retaining its brand identity. Digital Risk's current chief executive and chairman Peter Kassabov will report to Ayyar.

Digital Risk, which owns a patent-pending data analytics software platform called Veritas, specialises in offering services in the risk and compliance area, especially to the

mortgage industry. Its business is limited to the US. With expected revenues of about \$127 million in 2012, Digital Risk has been growing at about 70% over the past three years and has profit margins that are in the teens, according to MphasiS.

MphasiS' purchase of Digital Risk offered an exit route for private equity firm Century Capital, which owned about 40% in the company.

There is no overlap in clients and the new company complements its existing business in the financial services industry, and presents significant cross-selling opportunities, according to MphasiS.

"This is not a generic acquisition, it is a highly specialised, domain-specific transaction. We will see more of similar deals in the coming months," said Amit Singh, executive director and head of technology practice at home-grown investment bank Avendus, which advised MphasiS on the deal.

**Deal will Help MphasiS De-risk its Revenue Portfolio ►► 5**

# The Economic Times

Mumbai, Delhi, Kolkata

DEAL BY JAN 31

## Mphasis Buys US Co for \$200 m

LISON JOSEPH  
BANGALORE

Bangalore-based IT company Mphasis has acquired Florida, US-based data analytics company Digital Risk, for \$200 million (about ₹1100 crore) in an all-cash deal, a senior executive of the company said.

The transaction value also includes about \$25-30 million in milestone-linked payments that are staggered over the next 2-3 years. "For the past 15 months or so, we have been looking for a specialised company in banking and capital markets space and Digital Risk presented the best opportunity," said Ganesh Ayyar, chief executive of Mphasis, which over the past year or two, has been focusing more on catering to the financial services industry. Mphasis, owned by computer-maker Hewlett-Packard, was in discussions with Digital Risk for about two months.

Standalone Biz Unit ►► 16

## Standalone Business Unit

### ►► From Page 1

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Earlier this year, Wipro had acquired Australian analytics company Promax Applications for \$36 million. Industry body Nasscom recently flagged analytics as an area where Indian IT companies will find big opportunities. In a September study, Avendus had estimated global data analytics outsourcing business to be worth about \$500-550 million in 2010 and nearly \$375 million worth of it was delivered from India.

# December 04, 2012

## Mint

Delhi, Mumbai, Bangalore, Chennai,Kolkata,Pune

### MphasiS: Acquisition will help reduce risk, but only a bit

**M**phasiS Ltd has agreed to buy US-based **Digital Risk Llc** for \$175 million (around ₹955 crore). Digital Risk provides risk, compliance and transaction management solutions to the US mortgage market, and is expected to close the year with revenue of \$127 million.

The acquisition will help MphasiS lower its dependence on its parent firm and largest customer, **Hewlett Packard Co. (HP)**. MphasiS is expected to have earned revenue of about \$1.05 billion in its fiscal year that ended in November,

with HP accounting for about 57% of this. The Digital Risk acquisition will lower HP's contribution to 50%.

Even so, MphasiS's growth is still expected to lag peers. A recent report by Barclays Research titled *De-MphasiS* says, "HP's loss of market share and diversion of business towards its local subsidiary has slowed MphasiS's revenue growth.

With 57% of YTD (year-to-date) FY12 revenues linked to HP, a projected decline of 10% in fiscal year 2012-13 from HP would keep MphasiS a laggard versus peers. Margin risks are

**The acquisition of Digital Risk will lower parent firm HP's revenue contribution to 50%**

a concern as MphasiS resorts to flexible pricing in order to secure new and retain existing business."

It's important to note here that the acquisition will also

be margin dilutive as Digital Risk operates at profit margins of 12%, lower than MphasiS's margins of 19-20%.

MphasiS shares rose by over 4% on Monday after the announcement, further increasing its valuation gap with mid-cap peers. It trades at a premium to other mid-cap firms such as **MindTree Ltd** and at a relatively lower discount to **Infosys Ltd**. This is despite a significant drop in earnings in recent years, and continued pressure on the HP front.

Investors seem to be hoping that HP will buy out minority

shareholders and that the returns during the delisting process could be handsome.

But, as pointed in this column earlier, minority investors of Digital Globalsoft Ltd didn't have a great experience when HP offered to buy them out. Six months before HP made the open offer, it announced a scheme to merge its captive software services business called HP-ISO (Indian Software Operations) with that of Digital.

The announced merger ratio was blatantly in favour of HP-ISO, and since then, Digit-

al's shares underperformed its peers (CNX IT index) by 25%.

Analysts at Barclays say HP trades at a 186% discount to MphasiS and the amount required to buy out minority shareholders, at \$600 million, is not trivial.

It's unlikely that the parent company will pay a packet to buy out minority shareholders in an Indian unit.

It may well turn out that there will be further value erosion at MphasiS through price cuts and lower volumes before HP decides to go for an open offer. In this backdrop, it seems foolhardy for investors to expect a delisting offer at high valuations.

**MOBIS PHILIPOSE**

## **The Economic Times**

Delhi, Bangalore, Chennai, Pune, Thiruvananthapuram

# **Street Cheers MphasiS' Digital Risk Acquisition**

### **OUR BUREAU**

BANGALORE

Shares of Bangalore-based MphasiS rallied 3.2% on the Bombay Stock Exchange adding about ₹320 crore to its market valuation on Monday, as investors reacted favourably to the company's acquisition of Florida-based data analytics company Digital Risk.

MphasiS will pay \$200 million (₹1,100 crore) — including earn out payments of \$25 million — to acquire the US company in an all-cash deal, as first reported by **ET** on Monday. "We began our journey of transformation in 2010 focusing on the financial services industry. This acquisition is central to our strategy of offering specialised services in chosen segments," said Ganesh Ayyar, CEO, MphasiS. Digital Risk is expected to clock revenues of \$127 million in 2012, growing at an average of 70% over the past three years.

The US company offers risk and compliance services to mortgage industry and employs about 1,500 specialists. The buy will help the Hewlett-Packard-owned company de-risk its falling revenue from parent HP, which owns 60% of the company and contributes a little over 50% of its \$1-billion revenue.

Financial performance  
MphasiS has been under pressure for at least a year now following reducing revenues from HP.

Digital Risk will function as a standalone business unit within MphasiS, with the current chief executive and chairman Peter Kassabov reporting to Ayyar.

## **Business Standard**

Delhi, Mumbai, Bangalore, Chennai, Ahmedabad, Kolkata, Pune, Tiruvananthapuram

### **Mphasis to acquire firm for \$175 mn**

IT outsourcing services provider, Mphasis on Monday said the company had signed a definitive agreement to acquire US-based Digital Risk, for about \$175 million (about ₹958 crore).

# **Mphasis to snap up US firm for ₹958 cr**

**BS REPORTER**

Bangalore, 3 December

**I**T outsourcing services provider, Mphasis on Monday said the company had signed a definitive agreement to acquire US-based Digital Risk, for \$175 million (₹958 crore).

There is also an additional earn-out component, which would be paid on a certain milestone, the Bangalore-based company said.

Digital Risk, which provides risk, compliance and transaction management solutions to mortgage companies in the US, employs over 1,500 people in its offices located in the US.

The company has been growing at a compound annual growth of 70 per cent in the last three years.

In 2012, the company expects to report revenues of \$127 million.

The acquisition is expected to bolster Mphasis's presence in the banking and capital market segment that accounts for 26 per cent of its overall revenues.

"We began our journey of transformation in 2010, focusing on the financial services industry. This acquisition is central to our strategy of

offering specialised services in chosen segments," Ganesh Ayyar, CEO said.

According to the company, the transaction is expected to close by January 31, subject to regulatory approvals and cus-

tomary closing conditions.

On its completion, the acquired entity will operate as a standalone business unit, retaining its brand identity.

Mphasis, which reported revenues of ₹5,098 crore for its accounting year ended 31 October, had a cash reserve of ₹2,575 crore quarter ended July 31.

**Move to bolster  
Mphasis' presence  
in banking and  
capital market  
that account for  
26% of revenues**

## **Business Standard – Smart Investor**

Mumbai, Thiruvananthapuram, Delhi, Kolkata , Bangalore, Pune, Chennai

### **Mphasis**

**Reco price/date: ₹404/December 3**

**Current/target price: ₹400.90/Under review**

The analyst observes that he has been regularly emphasising on the fact that good performance in the direct channel was almost mandatory for the company to gain momentum in its financial performance. This acquisition is a sizable step towards that direction. However, it is important to consider that the company has been under-performing compared to its peers in terms of revenues growth since the past eight quarters. Going ahead, he does not expect a hockey stick kind of recovery in growth rates as HP would still contribute 50 per cent to the total revenues and remain a major overhang. The company is expected to report its October quarter and year-end numbers on Wednesday. Hence, it would be wise to read this acquisition further in conjunction with the revenue performance in the October ending quarter. Until then, he keeps recommendation for Mphasis **UNDER REVIEW**.

**ASIT C MEHTA INVESTMENT INTERMEDIATES LIMITED**

## **The Hindu Business Line**

Bangalore, Chennai, Thiruvananthapuram, Kolkata, Bangalore, Hyderabad, Pune

# **Mphasis to buy US-based Digital Risk for \$175 m**

### **Our Bureau**

*Bangalore, Dec. 3*

In a move that would ensure less reliance on parent company HP, Bangalore-based Mphasis has decided to expand into mortgage-related software segment.

The company said on Monday that it will acquire US-based Digital Risk, a privately-held company that provides

regulatory software solutions for the mortgage industry, for \$175 million in an all-cash deal.

Further, the remaining amount will be paid out of the earnings over the next 30 months. This acquisition, analysts opine, will ensure that Mphasis, a company that belongs to HP, would rely less on its parent for business and improve performance.

This year, Mphasis has been experiencing growth pressures as HP is battling sluggish performance in its enterprise business, and which in turn contributes in excess of 50 per cent to Mphasis' revenues.

In the third quarter, management commentary indicated that Mphasis continued to see challenges in getting more business from HP.

## The Hindu Business Line

Chennai, Thiruvananthapuram, Delhi, Mumbai, Kolkata, Bangalore, Hyderabad, Pune

### MPHASIS' ACQUISITION OF DIGITAL RISK

# Deal to help cut dependence on HP

Valuation among cheapest by any Indian IT firm paying for overseas buys

K. Venkatasubramanian

BL Research Bureau

Mphasis' acquisition of Digital Risk would help the former strengthen its sales from direct channels and reduce dependence on its principal Hewlett Packard (HP) apart from strengthening its US footprint. The valuation too appears quite reasonable in comparison to past acquisitions made by Indian IT companies.

The deal, valued at \$175 million, amounts to about 1.4 times Digital Risk's likely CY12 revenues. This means the deal



is among the cheapest by an Indian IT company for acquisition of a company overseas. In the case of earlier deals such as HCL-Axon, Infosys-Lodestone and Wipro-Infocrossing,

the price-to-revenue multiple has generally tended to be 1.8 to 2.6 times.

#### HIGHER VALUE SERVICE

From a service offering perspective, the acquisition would give Mphasis access to higher value services catering to the mortgage market such as risk, compliance and transaction solutions.

Given that there is greater emphasis on risk management after the financial crisis that began with the collapse of the US housing market in 2008,

these offerings might be in high demand. Evidence to this is the fact that Digital Risk's revenues have grown at a compound annual rate of 70 per cent over the past three years.

#### SLOWING SALES THRU HP

Mphasis derives about 55 per cent of its revenues currently from HP. The rest comes from its own direct channels. For Mphasis, sales from the HP channel have been slowing over the past few quarters.

This deal is likely to reduce dependence on the HP chan-

nel and also provide growth impetus.

Being focussed on the US market, Digital Risk is also likely to increase Mphasis' proportion of revenues from the North American region — now at 64 per cent.

The only point of concern is the fact that these offerings may not be shifted offshore, which could create a high-cost structure for Mphasis as manpower expenses get escalated.

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## **Financial Chronicle**

Delhi, Mumbai, Bangalore, Hyderabad, Chennai

# MphasiS to buy US' Digital Risk for \$175m

**SRIRAM SHANKAR**

*New Delhi*

IT firm MphasiS on Monday announced its decision to acquire US-based mortgage market firm Digital Risk in an all cash deal valued at \$175 million. MphasiS said the acquisition will help it attain leadership position in the US mortgage services market.

MphasiS said the acquisition significantly enhances MphasiS' onshore presence in the US. It indicated plans to expand its footprint in the US and create up to 500 new jobs in the near future.

Florida-based Digital Risk provides risk, compliance and transaction management solutions to the US mortgage market. MphasiS said that Digital Risk is expected to register revenues of \$127 million in calendar year 2012.

The transaction will close by January 31, 2013 subject

to regulatory approvals and other closing conditions. MphasiS said Digital Risk would continue to operate as a standalone business unit under its founders. Peter Kassobov, Digital Risk, CEO and chairman will report to MphasiS, CEO, Ganesh Ayyar.

MPHASIS/BSE Rs 400.90 ▲

NSE Rs 402.55 ▲

sriramshankar

@mydigitalfc.com

## **Financial Express**

Delhi, Mumbai, Bangalore, Ahmedabad, Kolkata, Pune, Chennai

# **MphasiS to acquire US firm for \$175 million**

MphasiS, a Hewlett Packard controlled IT company has announced the acquisition of US-based Digital Risk, a provider of risk compliance and transaction management solutions to the mortgage market, in an all cash deal valued at \$175 million. Digital Risk is expected to register revenues of \$127 million in CY2012 and has grown at revenue CAGR of 70% in the last three years. This acquisition will enhance MphasiS' onshore presence in the US and the company plans to expand its footprint in that country by creating up to 500 new jobs in the near future, the company said.

## **The Times of India**

Delhi, Mumbai, Chennai, Pune, Hyderabad, Kolkata, Ahmedabad

### **MphasiS to buy US co for \$175m**

**New Delhi:** IT firm MphasiS on Monday said it will acquire US-based Digital Risk for \$175 million (about Rs 960 crore) in all-cash deal, a move that will help it attain leadership position in the trillion dollar US mortgage services market.

The Florida-based Digital Risk is one of the largest independent providers of solutions related to risk, compliance and transaction management to the US mortgage market that is pegged at \$1.3 trillion. The acquisition is an all-cash deal valued at \$175 million with an additional earn-out component.

"We have worked out an earn-out plan spread over 30 months. All put together, the deal will be marginally in excess of \$200 million," MphasiS CEO Ganesh Ayyar said. "Mortgage market in the US is \$1.3 trillion segment, of which 1-2% is IT services that in itself is \$13-26 billion. An area which is becoming increasingly important is risk and compliance."

This acquisition significantly enhances MphasiS's onshore presence in the US, the company said. MphasiS along with Digital Risk is looking at expanding footprint in the US, creating up to 500 new jobs in the "next 18-24 months". AGENCIES

## **The Times of India**

Bangalore

### **Mphasis acquires Digital Risk**

**Bangalore:** Mphasis will acquire Florida-based Digital Risk, a provider of risk, compliance and transaction management solutions to the mortgage market in the US, for an all-cash deal valued at \$175 million. There will also be milestone-based payments.

Mphasis has been struggling for some time on account of parent Hewlett-Packard's woes. Almost 50% of Mphasis's revenues come from HP. Mphasis said the acquisition was part of its strategy to offer specialized services in chosen segments. TNN

## The Hindu

Delhi, Bangalore, Chennai, Kolkata, Thiruvananthapuram, Hyderabad

# MphasiS to buy Digital Risk

Special Correspondent

**BANGALORE:** MphasiS, part of Hewlett-Packard, announced on Monday that it had reached a “definitive agreement” to acquire Florida-based Digital Risk LLC in a deal worth \$175 million. A statement released by MphasiS said Digital Risk’s expertise in risk, compliance and transaction management solutions would enable MphasiS to target the mortgage services market in the U.S.

It pointed out that Digital Risk has licence to operate in 46 states. The deal is expected to be consummated by January 31, 2013.

“Digital Risk is ranked number 11 among the fastest growing private financial services companies in the U.S., in 2012,” observed MphasiS. Digital Risk is expected to earn revenues of \$127 million in 2012. The company had registered a compound annual rate of 70 per cent in the last three years, it noted.

MphasiS CEO Ganesh Ayyar said the company’s transformation in 2010 was based



*Ganesh Ayyar*

on focussing on the financial services industry, while offering “specialised services to chosen segments.” The acquisition of Digital Risk fits with this focus because the target company offers specialised services to the mortgage industry, Mr. Ayyar said. “Their analytics platform, combined with 1,500 mortgage specialists, makes them unique and differentiated,” he added.

MphasiS said it had plans to “expand its footprint in the U.S. by creating up to 500 new jobs in the near future.”

## **Deccan Herald**

Delhi, Bangalore

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### MphasiS to buy Digital Risk for \$175 million

**BANGALORE, DHNS:** MphasiS (an HP company) on Monday announced a definitive agreement to acquire US-based provider of mortgage risk and compliance management solution company Digital Risk in an all-cash deal valued at \$175 million with an additional earn-out component.

Digital Risk is expected to register revenues of \$127 million in calendar 2012. The company has grown at a revenue CAGR of 70 per cent in the last 3 years.

“We began our journey of transformation in 2010 focusing on the financial services industry. This acquisition is central to our strategy of offering specialised services in chosen segments. Digital Risk offers highly specialised services in risk and compliance area, specific to mortgage industry. Their analytics platform combined with 1,500 mortgage specialists makes them unique and differentiated,” MphasiS Chief Executive Officer Ganesh Ayyar said.

The transaction is currently expected to close by January 31, 2013.

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## **Deccan Chronicle**

Bangalore, Chennai, Thiruvananthapuram

### **MPHASIS TO ACQUIRES U.S. I.T. FIRM FOR \$175M**

**New Delhi:** IT firm Mphasis on Monday said it would acquire US-based Digital Risk for \$175 million (about ₹960 crore) in all-cash deal, a move that will help it attain leadership position in the trillion dollar US mortgage services market.

The Florida-based Digital Risk is one of the largest independent providers of solutions related to risk, compliance and transaction management to the US mortgage market that is pegged at \$1.3 trillion.

“We have worked out an earn-out plan spread over 30 months. All put together, the deal will be marginally in excess of USD 200 million,” Mphasis chief executive Ganesh Ayyar said.

Digital Risk is expected to register revenues of \$127 million in this year and has grown at revenue CAGR of 70 per cent in the last three years.

— PTI

## **The Indian Express**

Mumbai, Pune, Kolkata, Ahmedabad

# **MphasiS to buy Digital Risk for \$175 mn**

**PRESS TRUST OF INDIA**

**NEW DELHI, DECEMBER 3**

IT firm MphasiS today said it will acquire US-based Digital Risk for \$175 million (about Rs 960 crore) in all-cash deal, a move that will help it attain leadership position in the trillion dollar US mortgage services market.

Florida-based Digital Risk is one of the largest independent providers of solutions related to risk, compliance and transaction management to the US mortgage market.

“We have worked out an earn-out plan spread over 30 months. All put together, the deal will be marginally in excess of \$200 million,” MphasiS CEO Ganesh Ayyar said.

## **The New Indian Express**

Bangalore, Hyderabad, Chennai, Thiruvananthapuram

### **MphasiS to Buy Digital Risk**

**Bangalore:** Global services company, MphasiS, announced a definitive agreement to acquire Florida(USA) based risk compliance and transaction management company, Digital Risk LLC for an all cash deal valued at \$175 million with an additional earn-out component. Digital Risk provides specialised risk, compliance and transaction management solutions for the mortgage industry is licensed to operate in 46 states in the US and employs 1500 people. Digital Risk was expected to register revenue of \$127 million in CY2012 and also pointed out that they had grown at revenue CAGR of 70% in the last 3 years. Ganesh Ayyer, CEO of the company said that they were on the lookout for more acquisitions but added that this would be mostly smaller companies. The transaction is currently expected to close by January 31, 2013 subject to regulatory approvals and other customary closing conditions. Upon completion of the transaction, Digital Risk will operate as a standalone business unit to avoid burdening them with the MphasiS model, Ayyer said. **ENS**

## Daily News & Analysis

Mumbai, Bangalore, Ahmedabad, Pune

# Mphasis underlines micro verticals with US co buy

**Acquisition of Digital Risk will cut dependence on HP, but may affect its rumoured share buyback plan**

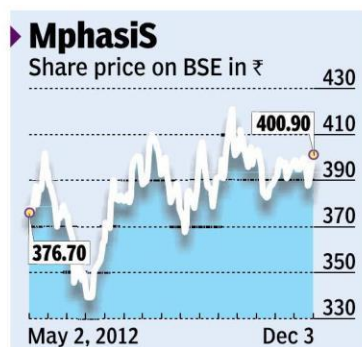
**Beryl Menezes** • MUMBAI

On Monday, Bangalore-based software services firm Mphasis announced it has acquired US-based analytics firm Digital Risk in an all-cash deal for \$175 million (₹1,100 crore). What impressed both markets and IT industry observers more, however, was the assertion by Mphasis CEO Ganesh Aiyar that this is not a deal in isolation but part of a pattern that began last year with the buyout of Wyde.

Mphasis is confident the deal – it has an additional earn-out component of \$25-30 million, payable over the next 2-3 years – will help improve its quarterly revenues (which anyway have been clocking \$40-50 million or ₹219-274 crore), given that Digital Risk is the largest independent provider of risk, compliance and transaction management solutions to the \$1.3 trillion US mortgage market. Coupled with its September-end cash reserves of \$462 million (₹2,530 crore), Mphasis

will cut more deals, Aiyar said.

The transaction is expected to close



by January 31, 2013, subject to regulatory approvals; and then, Digital Risk will operate as a standalone business unit within Mphasis, retaining its brand identity. Some 1,500 Mphasis employees and three directors will be absorbed by Digital Risk.

Aiyar said most business process outsourcing firms work on a work-flow based platform unlike Digital Risk which is into the new analytics vertical that promises tremendous growth potential. Mphasis, he said, has been keen to focus on micro verticals in the fields of capital markets, banking and financial services, as borne out by last year's acquisition of Wyde.

The US debt market opportunity accounts for 1% of its size or \$13 billion for IT services firms. Digital Risk is expected to generate revenues of about \$127 mil-

lion (₹695.45 crore) in 2012, coasting on its over 70% growth of the past three years. What's more, its operating profit margin of 12.2% compares well with Mphasis's 19.7%. "We expect to be EPS-accretive in the first 12 months, post the close of the deal," Aiyar said. (EPS = earnings per share.)

The Street's reactions to the deal were mixed. Shares in Mphasis closed at ₹400.90 on the BSE, up 3.22%. Observers said the deal will likely lower HP's contribution to Mphasis's revenues to 50% from 57%, which is seen as a positive, given that the poorly performing HP has been dragging down Mphasis's on-quarter profits.

With its expertise in analytics and several other platforms, and complimentary set of clients, Digital Risk will help provide non-linear growth as well as cross-selling opportunities to Mphasis.

But not everyone was impressed. "The acquisition is expected to result in just a 4-5% increase in earnings next fiscal, which means the deal is not hugely earnings-accretive, and thus does not add much from the financial perspective," said an analyst seeking anonymity.

Others said chances of a rumoured share buyback will reduce considerably, thus continuing the 'sell' rating on the stock. Mphasis will announce its third quarter (Jul-Sep) results tomorrow.

*beryl.menezes@dnaindia.net*

## **Hindustan Times**

Delhi, Mumbai, Kolkata

# Mphasis buys US firm for ₹960 crore

**HT Correspondent**

■ [letters@hindustantimes.com](mailto:letters@hindustantimes.com)

**MUMBAI:** Bangalore-based IT services and back-office support provider Mphasis, now a unit of Hewlett-Packard, said on Monday that it would acquire Florida-based Digital Risk for \$175 million (₹960 crore) in an all-cash deal to gain a foothold in an exploding market for mortgage services.

Digital Risk provides specialised risk, compliance and transaction management solutions for the mortgage industry. HP, better known for making computers and printers, is on an aggressive drive to promote services revenue.

Digital Risk has a compounded revenue growth of 70% for the last three years and is expected to earn revenue of



around \$127 million this year.

“Digital Risk’s analytics platform combined with 1,500 mortgage specialists makes them unique,” said Ganesh Ayyar, chief executive officer, Mphasis in a statement to BSE.

The deal is expected to be completed by January.

Shares of Mphasis closed at ₹400.9, up by ₹12.5, or 3.33%, following the announcement.

## The Hindu Business Line

Delhi, Mumbai, Bangalore, Chennai, Thiruvananthapuram, Kolkata, Pune

# MphasiS' Digital Risk buy fails to enthuse analysts

### May not reduce its dependence on Hewlett-Packard quickly

**Venkatesh Ganesh**  
Bangalore, Dec. 4

MphasiS may still have to depend on HP to drive most of its growth in spite of the recent acquisition of the Florida-based Digital Risk.

Analysts say that though the recent acquisition was to reduce dependence on HP, it may not pan out as expected in the short-term.

The Bangalore-based MphasiS paid \$175 million to buy Digital Risk, a company that provides regulatory software solutions for the mortgage industry.

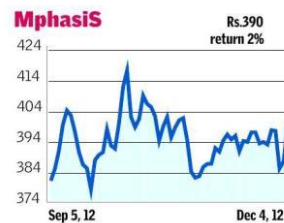
At present, MphasiS gets in excess of 50 per cent of its revenues from HP.

Research firm UBS has

sounded out a sell rating on MphasiS with a target price of Rs 285 that is almost 30 per cent less than its Monday's close. UBS, in its report, further added that the Digital Risk acquisition is likely to be margin dilutive or reduce earnings per share and may have a minimal near-term impact on earnings.

#### BEARISH STANCE

Others share a similar sentiment. "Going ahead, we do not expect a hockey stick kind of growth recovery as HP would still contribute half of MphasiS' total revenues and remain a major overhang," Vimal Gohil, Analyst, Asit C. Mehta Investments Interme-



diates. The brokerage house has put MphasiS stock 'under review'.

MphasiS will report its October quarter numbers on December 5 and, according to analysts, the acquisition should be read in conjunction with the performance in the quarter ending October. On Tuesday, MphasiS shares

closed 2.97 per cent lower at Rs 389.

Despite this bearish stand, some analysts are positive on the company's prospects going ahead.

Ashwin Mehta and Pinku Pappan of Nomura in a note said that the acquisition is strategically in the right direction as it reduces exposure to the HP business.

At the end of the third quarter, MphasiS had Rs 2,575 crore of cash on its books and it is under increasing pressure as it relies hugely on business from HP and continues to lag behind its peers.

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