



Group Financial Overview and Trends for the Quarter ending 31 Dec 2018

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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 2.8% QoQ and 23.5% YoY in Q3 FY19 on reported basis and 3.1% QoQ and 14.0% YoY in Constant Currency.
- Direct Core revenue grew 5.9% QoQ and 27.6% YoY in Q3 FY19 on a reported basis and 6.0% QoQ and 16.9% YoY in Constant Currency.
- DXC/HP revenue grew 5.6% QoQ and 37.9% YoY in Q3 FY19 on a reported basis and 6.4% QoQ and 28.3% YoY in Constant Currency.
- New TCV win of USD 122 million in Q3 FY19 in Direct International.
- Net Profit grew 2.6% QoQ and 29.3% YoY in Q3 FY19 to ₹ 2,780 million.
- EPS grew 2.8% QoQ and 29.4% YoY in Q3 FY19 to ₹ 14.4.
- Completed buy-back of 7.3 million shares with a total outlay of ₹ 9,937 million in Q3 FY19.
- Completed acquisition of Stelligent Systems LLC. which specializes in DevOps automation in AWS.

2. Revenue

a. Direct International

- Direct International revenue grew 1.9% QoQ and 18.4% YoY on a reported basis in Q3 FY19 and 2.0% QoQ and 8.4% YoY in Constant Currency despite headwinds in Digital Risk business.
- Direct Core revenue which is 84% of Direct International revenue in Q3 FY19 grew 5.9% QoQ and 27.6% YoY on a reported basis. Revenue grew 6.0% QoQ and 16.9% YoY in Constant Currency.
- Won new deals with TCV of USD 122 million in Q3 FY19 with 81% of the deal wins in New-Gen Services.
- New-Gen Services revenue grew 50.8% YoY on a reported basis to 46.4% of Direct Core revenue in Q3 FY19.

b. DXC/HP Business

- In Q3 FY19, revenue grew 5.6% QoQ and 37.9% YoY on a reported basis and 6.4% QoQ and 28.3% YoY in Constant Currency
- DXC/HP business contributed 29% of the overall gross revenue in Q3 FY19 of which DXC business contributed 25.6% of the overall gross revenue in Q3 FY19.

3. Financial indicators

a. Revenues

Net Revenue grew 2.9% QoQ and 18.7% YoY in Q3 FY19 to ₹19,170 million in reported terms. Net Revenue grew 3.2% QoQ and 9.4% YoY in Constant Currency.

b. Gross Profit

Gross profit increased 2.2% QoQ and 20.2% YoY in Q3 FY19 to ₹5,330 million. Salary increments administered during the quarter and seasonal client shutdown impacted Gross margin. Gross Margin declined 20 bps QoQ and improved 30 bps YoY to 27.0%.

c. Operating Profit (EBIT)

Operating profit declined 1.1% QoQ and improved 21.2% YoY to ₹ 3,110 million in Q3 FY19. While Operating margin improved 30 bps YoY, it declined 60 bps QoQ to 15.8% in Q3 FY19.

d. Net Profit

Net profit grew 2.6% QoQ and 29.3% YoY to ₹ 2,780 million in Q3 FY19 on account of higher Foreign Exchange gains and lower tax. While Net Margin improved 120 bps YoY, Net Margin remains constant QoQ.

4. Cash Management

Cash and cash equivalents decreased by ₹ 6,915 million during the quarter to ₹ 18,270 million (USD 262M) on account of completion of share buy-back and acquisition of Stelligent Systems LLC. Adjusting for ₹ 9,937 million share buyback, acquisition and net of loan drawdown, cash and cash equivalents increased by ₹ 2,335 million (USD 33M) during the quarter.

Consolidated Profit and Loss Account

₹ Millions

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | QoQ Growth % | Quarter ended 31 Dec 2017 | YoY Growth % |
|---|------------------------------|------------------------------|-----------------|------------------------------|-----------------|
| Gross Revenues | 20,028 | 19,479 | 2.8% | 16,217 | 23.5% |
| Adjustment from Hedging Reserve | (318) | (330) | | 390 | |
| Net Revenues | 19,710 | 19,149 | 2.9% | 16,607 | 18.7% |
| <i>Cost of revenues</i> | 14,380 | 13,932 | 3.2% | 12,172 | 18.1% |
| Manpower cost | 11,910 | 11,355 | 4.9% | 9,818 | 21.3% |
| Rent | 542 | 536 | 1.1% | 530 | 2.3% |
| Depreciation and Amortization | 176 | 162 | 8.6% | 144 | 22.2% |
| Others | 1,752 | 1,879 | -6.8% | 1,680 | 4.3% |
| Gross profit | 5,330 | 5,217 | 2.2% | 4,435 | 20.2% |
| <i>Selling expenses</i> | 1,257 | 1,203 | 4.5% | 1,010 | 24.5% |
| Manpower cost | 955 | 925 | 3.2% | 795 | 20.1% |
| Travel | 125 | 97 | 28.9% | 96 | 30.2% |
| Depreciation and Amortization | 3 | 3 | 0.0% | 3 | 0.0% |
| Others | 174 | 178 | -2.2% | 116 | 50.0% |
| <i>General and administrative expenses</i> | 963 | 869 | 10.8% | 860 | 12.0% |
| Manpower cost | 585 | 523 | 11.9% | 518 | 12.9% |
| Rent | 39 | 30 | 30.0% | 29 | 34.5% |
| Depreciation and Amortization | 17 | 19 | -10.5% | 29 | -41.4% |
| Others | 322 | 297 | 8.4% | 284 | 13.4% |
| <i>Provision for doubtful debts</i> | - | - | | (1) | - |
| Operating profit | 3,110 | 3,145 | -1.1% | 2,566 | 21.2% |
| Foreign exchange gain, net | 76 | 26 | 198.0% | 42 | 81.0% |
| Other income, net | 423 | 441 | -4.1% | 312 | 35.6% |
| Interest expenses | (28) | (26) | 7.7% | (29) | -3.4% |
| Profit before taxation before Exceptional Item | 3,581 | 3,586 | -0.1% | 2,891 | 23.9% |
| Exceptional Item (net of taxes) | - | - | - | - | - |
| Profit before taxation after Exceptional Item | 3,581 | 3,586 | -0.1% | 2,891 | 23.9% |
| Income taxes | 801 | 877 | -8.7% | 741 | 8.1% |
| -Current | 770 | 917 | -16.0% | 750 | 2.7% |
| -Deferred | 31 | (40) | -177.5% | (9) | -444.4% |
| Net profit before Exceptional Item | 2,780 | 2,709 | 2.6% | 2,150 | 29.3% |
| Net profit after Exceptional Item | 2,780 | 2,709 | 2.6% | 2,150 | 29.3% |
| Earning per share (par value ₹10) | | | | | |
| Before Exceptional Item (₹) | 14.4 | 14.0 | 2.8% | 11.1 | 29.4% |
| After Exceptional Item (₹) | 14.4 | 14.0 | 2.8% | 11.1 | 29.4% |

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 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|-------------------------------------|----|------------------------------|------------------------------|------------------------------|
| PROFIT AND LOSS ACCOUNT | | | | |
| Gross Revenue (\$ Mn) | \$ | 282.7 | 275.6 | 251.7 |
| Gross margin | % | 27.0% | 27.2% | 26.7% |
| Selling expenses | % | 6.4% | 6.3% | 6.1% |
| General and administrative expenses | % | 4.9% | 4.5% | 5.2% |
| Operating margin | % | 15.8% | 16.4% | 15.5% |
| EBITDA margin | % | 16.8% | 17.4% | 16.5% |
| Net margin* | % | 14.1% | 14.1% | 12.9% |
| Effective tax rate* | % | 22.4% | 24.5% | 25.6% |
| EPS (Basic)* | ₹ | 14.4 | 14.0 | 11.1 |

*Before exceptional item

Exchange Rates

| | | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|-----------------------|------|------------------------------|------------------------------|------------------------------|
| Period Closing Rate | ₹/\$ | 69.78 | 72.70 | 64.51 |
| Average Exchange Rate | | 70.84 | 70.67 | 64.45 |

Consolidated Balance sheet

₹ Millions

| | 31 Dec 2018 | 30 Sep 2018 | 31 Dec 2017 |
|---|---------------|---------------|---------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 1,861 | 1,934 | 1,932 |
| Reserves and surplus | 46,937 | 53,239 | 50,164 |
| Employee stock options outstanding | 473 | 413 | 277 |
| | 49,271 | 55,586 | 52,373 |
| LOAN FUNDS | | | |
| Secured loans | 3,142 | 2,181 | 2,563 |
| Unsecured loans | 1,396 | - | 1,282 |
| DEFERRED TAX LIABILITY | 15 | 19 | 32 |
| | 53,824 | 57,786 | 56,250 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Cost | 5,121 | 5,010 | 4,227 |
| Accumulated depreciation | (3,112) | (3,005) | (2,302) |
| Net book value | 2,009 | 2,005 | 1,925 |
| Capital work-in-progress including capital advances | 528 | 412 | 382 |
| | 2,537 | 2,417 | 2,307 |
| GOODWILL | 19,751 | 19,002 | 16,754 |
| INVESTMENTS | 10,229 | 18,647 | 18,016 |
| DEFERRED TAX ASSETS | 1,133 | 2,162 | 612 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Debtors | 6,585 | 7,799 | 7,394 |
| Unbilled revenues | 9,109 | 6,748 | 5,243 |
| Cash and bank balances | 8,041 | 6,538 | 5,137 |
| Interest receivable | 91 | 62 | 112 |
| Loans and advances | 10,854 | 10,212 | 10,571 |
| | 34,680 | 31,359 | 28,457 |
| CURRENT LIABILITIES AND PROVISIONS | | | |
| Current liabilities | 11,912 | 12,960 | 7,933 |
| Provisions | 2,594 | 2,841 | 1,963 |
| | 14,506 | 15,801 | 9,896 |
| NET CURRENT ASSETS | 20,174 | 15,558 | 18,561 |
| | 53,824 | 57,786 | 56,250 |

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 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|-------------------------|------------|------------------------------|------------------------------|------------------------------|
| BALANCE SHEET | | | | |
| Cash & cash equivalents | ₹ Millions | 18,270 | 25,185 | 23,153 |
| Receivables | Days | 74 | 67 | 72 |

Cash and bank balance and Investment of cash surplus

Cash and cash equivalents consists 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 ₹ 176 million (Q2 FY19 - ₹ 176 million, Q3 FY18 - ₹ 133 million).

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

Primary Segment Information

₹ Millions

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | QoQ Growth % | Quarter ended 31 Dec 2017 | YoY Growth % |
|---|------------------------------|------------------------------|-----------------|------------------------------|-----------------|
| Segment Revenue | | | | | |
| Banking and Capital Market | 8,825 | 8,964 | -1.6% | 7,732 | 14.1% |
| Insurance | 2,369 | 2,199 | 7.7% | 2,079 | 13.9% |
| Information Technology, Communication & Entertainment | 3,370 | 3,316 | 1.6% | 2,334 | 44.4% |
| Emerging Industries | 5,464 | 5,000 | 9.3% | 4,072 | 34.2% |
| Total Revenues | 20,028 | 19,479 | 2.8% | 16,217 | 23.5% |
| Segment Profit | | | | | |
| Banking and Capital Market | 2,271 | 2,538 | -10.5% | 1,776 | 27.8% |
| Insurance | 693 | 591 | 17.1% | 541 | 28.0% |
| Information Technology, Communication & Entertainment | 872 | 803 | 8.5% | 486 | 79.4% |
| Emerging Industries | 1,813 | 1,615 | 12.3% | 1,243 | 45.9% |
| Total Segment Profit | 5,648 | 5,547 | 1.8% | 4,046 | 39.6% |
| Gross Margin % | | | | | |
| Banking and Capital Market | 25.7% | 28.3% | -2.6% | 23.0% | 2.7% |
| Insurance | 29.2% | 26.9% | 2.3% | 26.0% | 3.2% |
| Information Technology, Communication & Entertainment | 25.9% | 24.2% | 1.7% | 20.8% | 5.1% |
| Emerging Industries | 33.2% | 32.3% | 0.9% | 30.5% | 2.7% |
| Total | 28.2% | 28.5% | -0.3% | 24.9% | 3.3% |

Notes:

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

Emerging Industries segment include Healthcare, Transportation and Logistics, Manufacturing etc.

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

Analysis of Revenues

Revenues reported in the tables below are gross of adjustments from hedging reserve

(a) By Delivery Location

| | ₹ Millions | | |
|--------------|---------------------------------|---------------------------------|---------------------------------|
| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
| Onsite | 11,444 57% | 11,294 58% | 9,022 56% |
| Offshore | 8,584 43% | 8,185 42% | 7,195 44% |
| Total | 20,028 | 19,479 | 16,217 |

(b) By Project Type

| | ₹ Millions | | |
|-------------------|---------------------------------|---------------------------------|---------------------------------|
| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
| Time and Material | 15,195 76% | 14,691 75% | 12,195 75% |
| Fixed Price | 4,833 24% | 4,788 25% | 4,022 25% |
| Total | 20,028 | 19,479 | 16,217 |

(c) By Secondary Market Segment

| | ₹ Millions | | |
|----------------------|---------------------------------|---------------------------------|---------------------------------|
| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
| Direct International | 13,495 67% | 13,243 68% | 11,399 70% |
| DXC / HP Business | 5,817 29% | 5,511 28% | 4,219 26% |
| Others | 716 4% | 725 4% | 599 4% |
| Total | 20,028 | 19,479 | 16,217 |

(d) By Geography

₹ Millions

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|--------------|------------------------------|------------------------------|------------------------------|
| AMERICAS | 15,685 78% | 15,610 80% | 13,012 80% |
| EMEA | 2,251 11% | 2,103 11% | 1,586 11% |
| INDIA | 1,117 6% | 1,136 6% | 1,032 6% |
| ROW | 975 5% | 630 3% | 587 4% |
| Total | 20,028 | 19,479 | 16,217 |

(e) By Service Type

₹ Millions

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|--|------------------------------|------------------------------|------------------------------|
| Application Maintenance & Other Services | 7,177 36% | 6,705 34% | 5,364 33% |
| Application Development | 5,971 30% | 5,397 28% | 4,264 26% |
| Customer Service | 222 1% | 199 1% | 232 1% |
| Knowledge Processes | 1,482 7% | 1,913 10% | 1,758 11% |
| Transaction Processing Service | 1,244 6% | 1,221 7% | 1,137 7% |
| Service / Technical Help Desk | 1,351 7% | 1,260 6% | 1,232 8% |
| Infrastructure Management Services | 2,534 13% | 2,760 14% | 2,135 13% |
| License Income | 47 0% | 24 0% | 95 1% |
| Total | 20,028 | 19,479 | 16,217 |

(f) Client Concentration

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|---------------------------------|------------------------------|------------------------------|------------------------------|
| Revenues from Top Client | 14% | 14% | 12% |
| Revenues from Top 5 Clients | 46% | 43% | 39% |
| Revenues from Top 10 Clients | 59% | 58% | 55% |
| Clients Contributing more than: | | | |
| \$ 20 million Revenues | 8 | 8 | 8 |
| - Direct Channel | 6 | 6 | 6 |
| - DXC / HP Channel | 2 | 2 | 2 |
| \$ 10 million Revenues | 19 | 19 | 17 |
| - Direct Channel | 15 | 15 | 13 |
| - DXC / HP Channel | 4 | 4 | 4 |
| \$ 5 million Revenues | 33 | 36 | 39 |
| - Direct Channel | 23 | 24 | 25 |
| - DXC / HP Channel | 10 | 12 | 14 |
| \$ 1 million Revenues | 96 | 95 | 89 |
| - Direct Channel | 63 | 63 | 57 |
| - DXC / HP Channel | 33 | 32 | 32 |

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

Tower Information

(a) Headcount*

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|----------------------------|------------------------------|------------------------------|------------------------------|
| Onsite | | | |
| - Application Services | 3,539 | 2,991 | 2,392 |
| - ITO Services / IS | 1,210 | 1,312 | 1,106 |
| - BPO Services | 884 | 914 | 981 |
| Offshore | | | |
| - Application Services | 9,286 | 8,962 | 8,228 |
| - ITO Services / IS | 2,843 | 2,994 | 3,062 |
| - BPO Services | 5,236 | 5,140 | 5,304 |
| Sales and Marketing | 292 | 270 | 300 |
| General and Administration | 925 | 895 | 897 |
| Total | 24,215 | 23,478 | 22,270 |

* Note: Including billable contractors

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

(b) Utilization Rates

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|---------------------------|------------------------------|------------------------------|------------------------------|
| Excluding Trainees | | | |
| Onsite | | | |
| - Application Services | 93% | 91% | 89% |
| - ITO Services / IS | 99% | 99% | 97% |
| Offshore | | | |
| - Application Services | 82% | 83% | 79% |
| - ITO Services / IS | 86% | 90% | 86% |
| - BPO Services | 93% | 91% | 90% |
| Blended | | | |
| - Application Services | 85% | 85% | 82% |
| - ITO Services / IS | 91% | 93% | 89% |
| - BPO Services | 93% | 91% | 90% |
| Including Trainees | | | |
| Onsite | | | |
| - Application Services | 93% | 91% | 89% |
| - ITO Services / IS | 99% | 99% | 97% |
| Offshore | | | |
| - Application Services | 80% | 80% | 79% |
| - ITO Services / IS | 85% | 89% | 85% |
| - BPO Services | 85% | 80% | 81% |
| Blended | | | |
| - Application Services | 84% | 83% | 81% |
| - ITO Services / IS | 90% | 92% | 88% |
| - BPO Services | 85% | 80% | 81% |

(c) Billing Rates

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 | \$/Hr |
|----------------------|------------------------------|------------------------------|------------------------------|-------|
| Onsite | | | | |
| Application Services | 85 | 86 | 84 | |
| ITO Services / IS | 81 | 86 | 86 | |
| Offshore | | | | |
| Application Services | 23 | 22 | 22 | |
| ITO Services / IS | 24 | 23 | 20 | |
| BPO Services | 10 | 10 | 11 | |

Other details

New Client wins

| | Quarter ended 31 Dec 2018 | Quarter ended 30 Sep 2018 | Quarter ended 31 Dec 2017 |
|---|------------------------------|------------------------------|------------------------------|
| Banking and Capital Market | 11 | 3 | 2 |
| Insurance | 1 | - | 1 |
| Information Technology, Communication & Entertainment | 3 | - | - |
| Emerging Industries | 5 | 9 | 3 |
| Total client additions | 20 | 12 | 6 |
| Direct Channel | 18 | 5 | 4 |
| HP / DXC Channel | 2 | 7 | 2 |
| Total client additions | 20 | 12 | 6 |

Note : Includes Stelligent clients as well

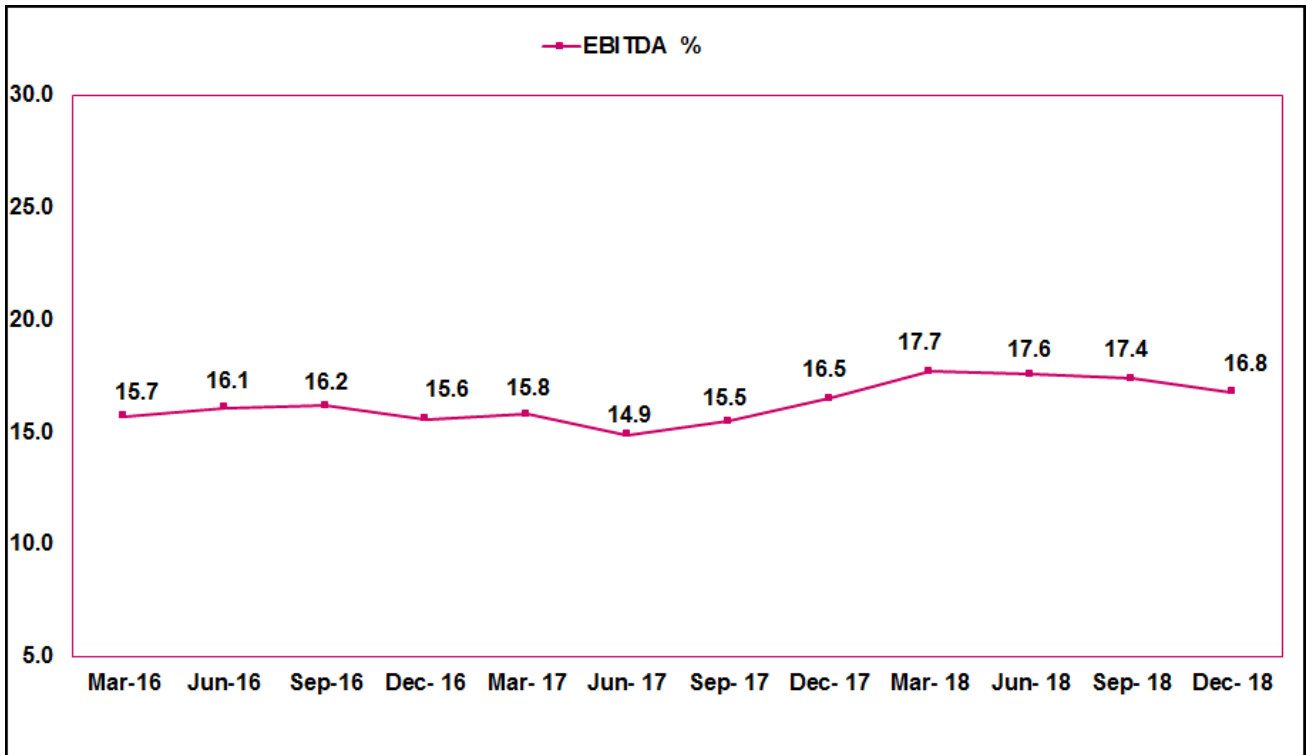
Hedge

| | As at 31 Dec 2018 | As at 30 Sep 2018 | As at 31 Dec 2017 |
|--|----------------------|----------------------|----------------------|
| Hedge amount - Millions | | | |
| USD | 529 | 529 | 561 |
| AUD | 13 | 13 | 13 |
| GBP | 21 | 24 | 19 |
| EUR | 28 | 28 | 20 |
| SGD | - | - | (0) |
| CAD | 9 | 9 | 8 |
| Average hedge rate including premia | ₹ | ₹ | ₹ |
| USD | 71.05 | 69.74 | 67.72 |
| AUD | 53.28 | 53.16 | 51.52 |
| GBP | 96.62 | 95.98 | 88.78 |
| EUR | 86.81 | 86.35 | 78.23 |
| SGD | | - | 48.43 |
| CAD | 54.00 | 54.96 | 52.00 |

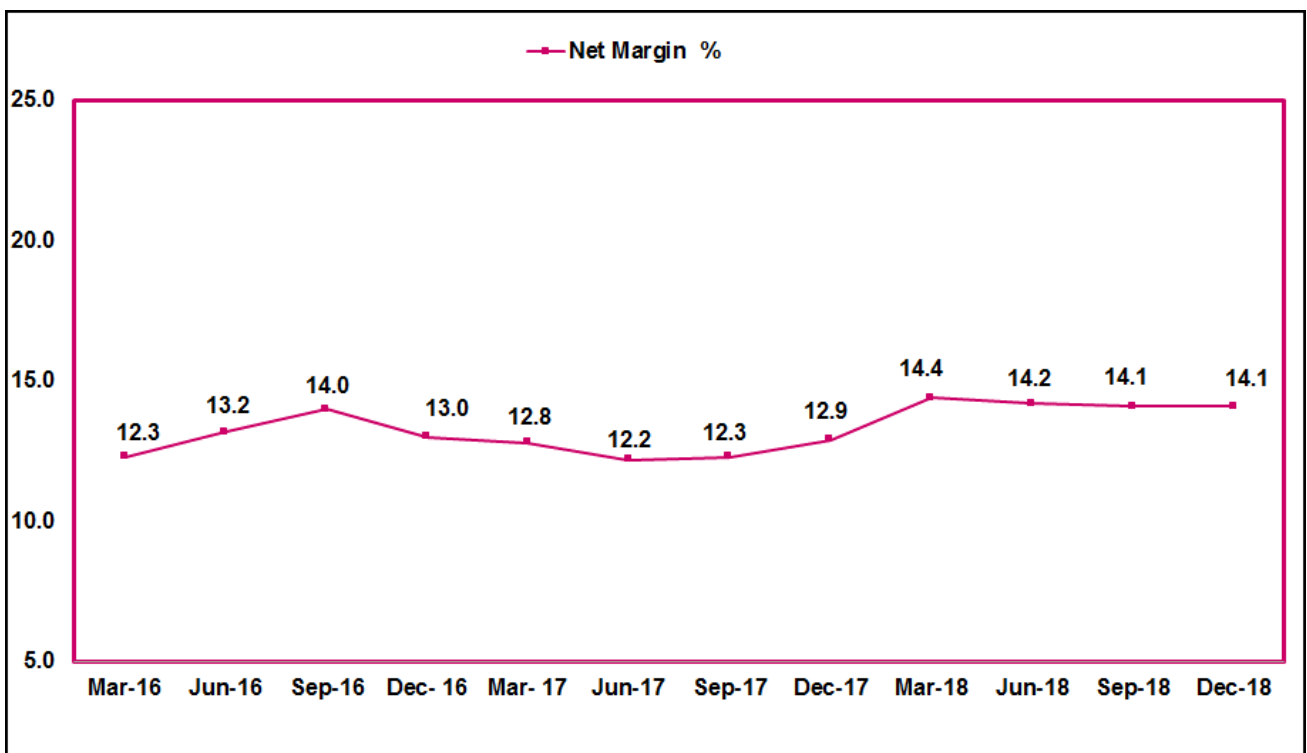
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the exposures on our results by purchasing forward foreign exchange contracts. These contracts are entered into in a systematic manner over the lifecycle of the exposure in accordance with the FX Risk Management Policy as laid down by the Treasury Committee of the Board of Directors. In Q3-18, the hedge policy was amended to extend the maturity of the hedges from 1 year to 2 years. The outstanding hedges have maturities of upto 24 months. We use these instruments as hedges and not for speculative purposes and all of them qualify for hedge accounting under Ind AS 109 published by the Institute of Chartered Accountants of India.

TRENDS

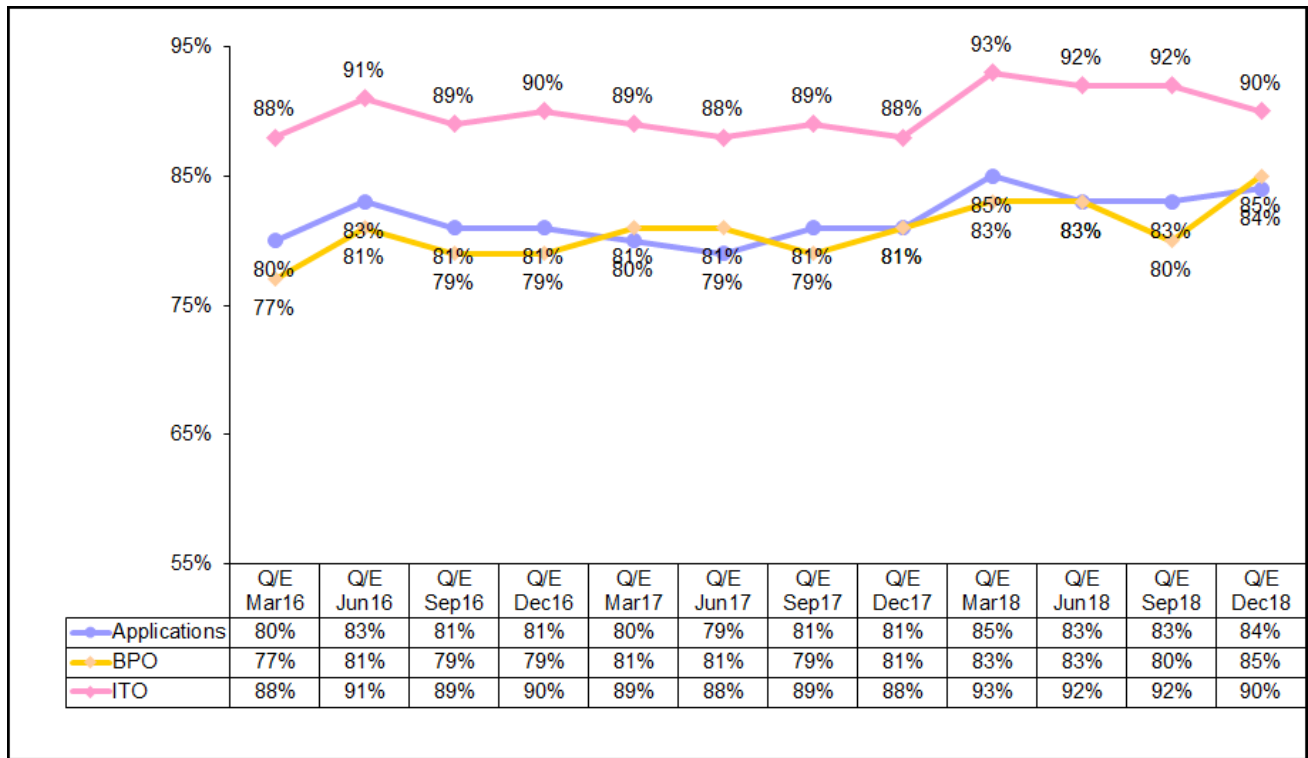
EBITDA



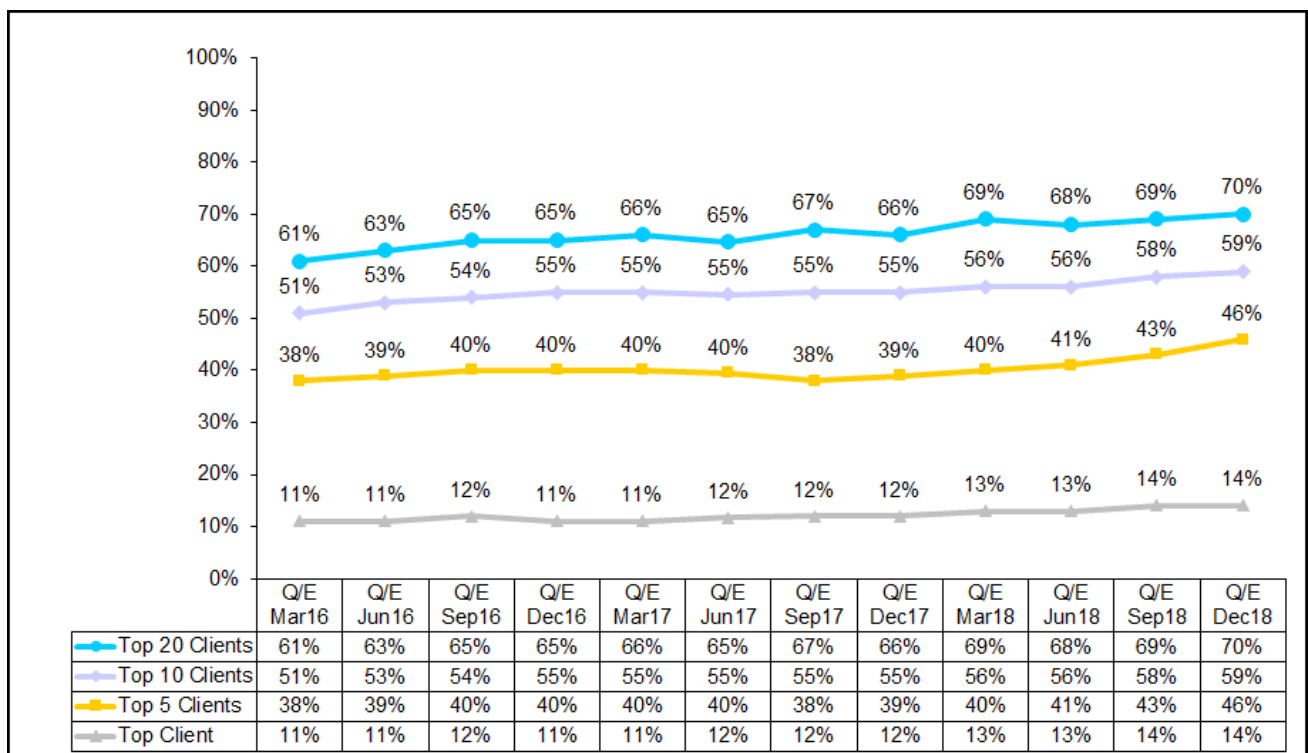
Net Margins



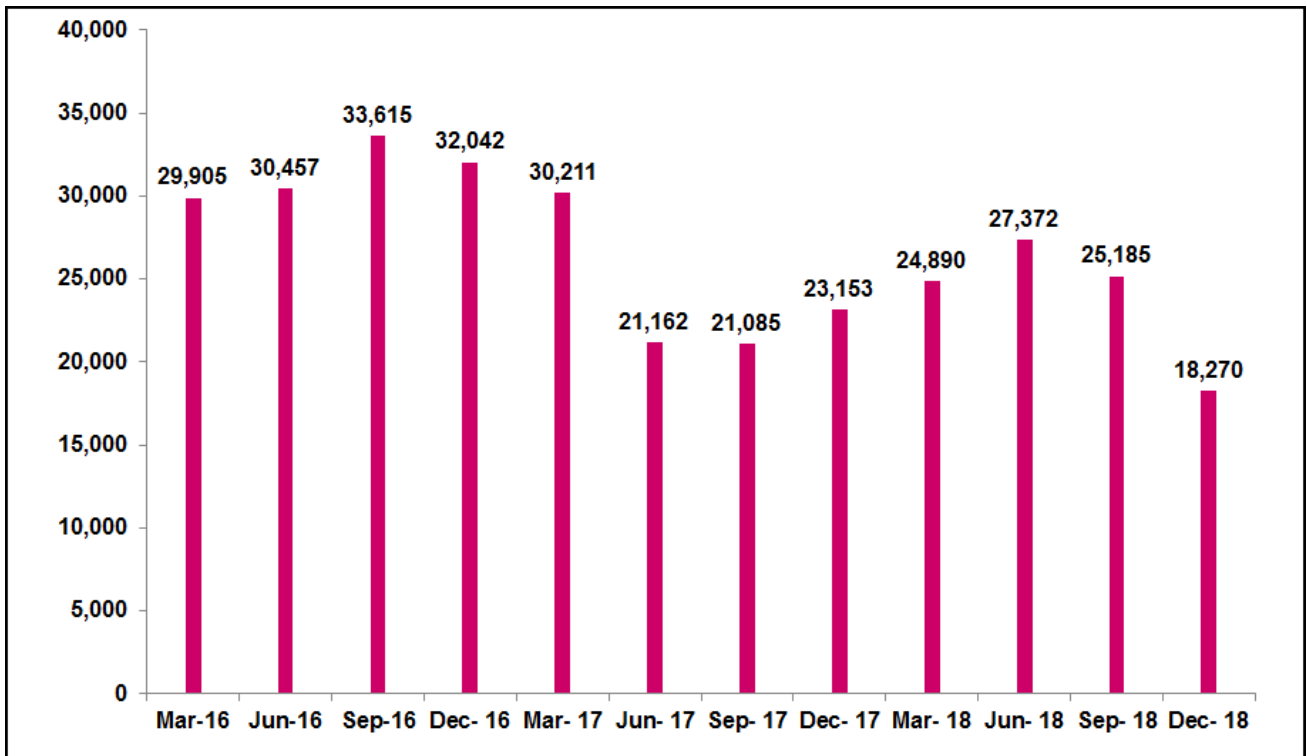
Utilization (including trainees)-To be updated



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

