

Independent Auditors' Report

To the Members of Mphasis Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mphasis Limited (hereinafter referred to as “the Holding Company”) and its subsidiaries (Holding Company and its subsidiaries together referred to as “the Group”), which comprise the consolidated balance sheet as at 31 March 2019, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (“the Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31 March 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (‘ICAI’), and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters (‘KAM’) are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report (Continued)

Mphasis Limited

Description of Key Audit Matters

The key audit matter	How the matter was addressed in our audit
Adoption of Ind AS 115 – Revenue from Contracts with Customers	
<p>As described in Note 22 to the consolidated financial statements, the Group has adopted Ind AS 115, Revenue from Contracts with Customers ('Ind AS 115'), the new standard on revenue recognition. The application and transition to this accounting standard is complex and is an audit focus area.</p> <p>The revenue standard establishes a comprehensive framework for determining whether, how much and when revenue should be recognized. This involves certain key judgments relating to identification of distinct performance obligations, determination of the transaction price, allocation of the transaction price to identified performance obligations, and the appropriateness of the revenue recognition methodology. Additionally, the standard mandates robust disclosures in respect of revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p>The Group adopted Ind AS 115 and applied the available exemption provided therein, to not restate the comparative periods.</p>	<p>Our audit procedures on adoption of Ind AS 115, Revenue from contracts with Customers ('Ind AS 115'), the new standard on revenue recognition, include the following –</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of the processes and internal controls relating to implementation of the new revenue recognition standard • Evaluated the detailed analysis performed by management across revenue streams by selecting samples for the existing contracts with customers and verified the appropriateness of identification of distinct performance obligations, determination of the transaction price, allocation of the transaction price to identified performance obligations and the appropriateness of the revenue recognition methodology • Evaluated the appropriateness of the adjustments recorded by management as at 1 April 2018 to transition to the new revenue standard, using the cumulative effect method; and • Evaluated the appropriateness of the accounting policy and disclosures provided under the new revenue standard and assessed the completeness and mathematical accuracy of the relevant disclosures.
Evaluation of tax litigations	
<p>The Group operates in multiple jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including direct tax, transfer pricing and indirect tax matters. These involve significant management judgment to determine the possible outcome of the tax litigations, consequently having an impact on related accounting and disclosures in the financial statements.</p> <p>Refer Note 21 to the financial statements.</p>	<p>Our audit procedures include the following substantive procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of key tax litigations and potential tax exposures • We along with our internal tax experts - <ul style="list-style-type: none"> ▪ read and analyzed select key correspondences and consultations carried out by management with external tax experts for key tax litigations and potential tax exposures ▪ discussed with appropriate senior management and evaluated management's underlying key assumptions and grounds of appeal in estimating the tax provisions; and ▪ evaluated the status of the recent and current tax assessments / inquiries, results of previous tax assessments and changes in the tax environment to assess management's estimate of the possible outcome of key tax litigations and potential tax exposures.

Independent Auditors' Report (Continued)

Mphasis Limited

The key audit matter	How the matter was addressed in our audit
Business combinations	
<p>As described in Note 5 to the financial statements, during the current year, the Group completed a business combination in this year.</p> <p>Ind AS 103 – Business Combinations, requires that consideration be given to the existence and measurement of separable identifiable intangible assets that have been acquired as part of each business combination. A significant proportion of the purchase price has been attributed to goodwill and other identified intangible assets, the valuation of which is dependent on cash flow forecasts including future business growth and the application of an appropriate discount rate, which are inherently subjective and therefore an area of focus for audit.</p>	<p>Our audit procedures on accounting for business combinations include the following:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of the processes and internal controls relating to accounting for the business combination; • Obtained the cash flow forecasts supporting the valuation of the intangible assets identified and assessed if these are reasonable; • We along with our internal valuation specialists evaluated the reasonableness of methodology and key assumptions used by management along with their external valuers to value each intangible asset; • Re-computed the deferred tax liabilities arising on the acquired intangible assets and verified if the appropriate tax rates have been considered; and • Evaluated the appropriateness of the disclosures in the financial statements and assessed the completeness and mathematical accuracy of the relevant disclosures.
Impairment of goodwill	
<p>Goodwill is a significant item on the balance sheet and management performs impairment testing for goodwill annually.</p> <p>In performing such impairment assessments, management compared the carrying value of each of the identifiable cash generating units (“CGUs”) to which goodwill had been allocated with their respective ‘value in use’ computed based on discounted cash flow method, to determine if any impairment loss should be recognized.</p> <p>The discounted cash flow method involves estimating future cash flows, growth rates and discount rates which require significant management judgement.</p> <p>Refer Note 4 to the consolidated financial statements.</p>	<p>Our audit procedures on testing for goodwill impairment includes the following:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of the processes and internal controls relating to impairment of non-financial assets including, goodwill; • Evaluated management’s identification of CGU’s, the carrying value of each CGU and the methodology followed by management for the impairment assessment in compliance with the prevailing accounting standards; • Evaluated appropriateness of key assumptions included in the cash flow forecasts used in computing recoverable amount of each CGU, such as, growth rates, profitability, discount rates, etc, with reference to our understanding of their business and historical trends; • Engaged internal valuation specialists to evaluate the appropriateness of methodology used to compute the recoverable amount of the CGU and the key underlying assumptions; • Evaluated the appropriateness of the disclosure in the financial statements and assessed the completeness and mathematical accuracy.

Independent Auditors' Report (Continued)

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Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

Independent Auditors' Report (Continued)

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (Holding company and subsidiaries) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report (Continued)

Mphasis Limited

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

Corresponding figures of the Group for the year ended 31 March 2018 have been audited by another auditor who expressed an unmodified opinion dated 10 May 2018 on the consolidated financial statements of the Group for the year ended 31 March 2018.

Our opinion on the consolidated financial statements is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

- A. As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
 - c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.
 - e) On the basis of the written representations received from the directors of the Holding Company and its subsidiaries which are incorporated in India, as on 31 March 2019 and taken on record by the Board of Directors of the respective companies, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

Independent Auditors' Report (Continued)

Mphasis Limited

Report on Other Legal and Regulatory Requirements (Continued)

- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in Annexure A.
- B. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2019 on the consolidated financial position of the Group. Refer Note 29 to the consolidated financial statements.
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts. Refer Notes 18 to the consolidated financial statements in respect of such items as it relates to the Group.
 - iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India during the year ended 31 March 2019.
 - iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2019.
- C. With respect to the matter to be included in the Auditors' report under Section 197(16) :

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company and its subsidiary companies which are incorporated in India is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies which are incorporated in India, is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Paris
27 May 2019

Amit Somani
Partner
Membership No: 060154

Annexure A to the Independent Auditors' report on the consolidated financial statements of Mphasis Limited for the year ended 31 March 2019

Report on the Internal Financial Controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of Mphasis Limited ((hereinafter referred to as "the Holding Company") and such companies incorporated in India under the Act which are its subsidiary companies as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies, considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company, considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Mphasis Limited
Annexure A to the Independent Auditors' Report (Continued)

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial Controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Paris
27 May 2019

Amit Somani
Partner
Membership No: 060154