



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

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**Mphasis Limited**  
**Condensed consolidated interim financial statements**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

(₹ million)

	As at 30 June 2021	As at 31 March 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,136.41	2,117.82
Capital work-in-progress	44.71	31.27
Right-of-use assets	6,135.38	5,677.15
Goodwill	21,688.43	21,325.67
Other intangible assets	1,019.00	1,074.48
<b>Financial assets</b>		
Investments	4,478.13	3,114.28
Other financial assets	1,458.67	1,475.92
Deferred tax assets (net)	1,400.76	1,260.72
Income tax assets (net)	5,501.12	5,496.40
Other assets	926.99	1,013.12
<b>Total non-current assets</b>	<b>44,789.60</b>	<b>42,586.83</b>
<b>Current assets</b>		
<b>Financial assets</b>		
Investments	19,305.91	15,345.90
Trade receivables	8,659.03	9,294.82
Unbilled receivables	10,322.42	9,210.05
Cash and cash equivalents	6,562.84	7,711.44
Bank balances other than cash and cash equivalents	3,213.79	2,910.98
Loans	142.97	154.45
Other financial assets	2,626.66	2,595.22
Other assets	4,648.44	4,179.79
<b>Total current assets</b>	<b>55,482.06</b>	<b>51,402.65</b>
<b>TOTAL ASSETS</b>	<b>100,271.66</b>	<b>93,989.48</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	1,871.81	1,870.49
Other equity	67,164.98	63,396.61
<b>Total equity</b>	<b>69,036.79</b>	<b>65,267.10</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
<b>Financial liabilities</b>		
Lease liabilities	5,809.28	5,370.38
Other financial liabilities	114.30	39.69
Employee benefit obligations	822.51	727.68
Deferred tax liabilities (net)	428.18	342.86
Income tax liabilities (net)	247.25	242.25
Other liabilities	572.77	562.53
<b>Total non-current liabilities</b>	<b>7,994.29</b>	<b>7,285.39</b>
<b>Current liabilities</b>		
<b>Financial liabilities</b>		
Borrowings	6,187.69	5,134.50
Lease liabilities	1,334.12	1,306.14
Trade payables		
- outstanding dues to micro and small enterprises	4.88	4.94
- outstanding dues to creditors other than micro and small enterprises	6,180.73	5,959.02
Other financial liabilities	2,862.46	3,241.49
Other liabilities	2,945.36	2,770.22
Employee benefit obligations	1,056.00	970.11
Provisions	624.05	496.99
Income tax liabilities (net)	2,045.29	1,553.58
<b>Total current liabilities</b>	<b>23,240.58</b>	<b>21,436.99</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100,271.66</b>	<b>93,989.48</b>

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

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

**Amit Somani**

Partner

Membership No. 060154

**Nitin Rakesh**

Chief Executive Officer

New York

**Narayanan Kumar**

Director

Chennai

**Manish Dugar**

Chief Financial Officer

New Delhi

22 July 2021

**Subramanian Narayan**

Senior Vice President & Company Secretary

Bengaluru

Bengaluru

22 July 2021

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS	(₹ million)	
	Quarter ended 30 June 2021	Quarter ended 30 June 2020
<b>Income</b>		
Revenue from operations	26,908.34	22,882.14
Other income	467.12	376.71
<b>Total income (I)</b>	<b>27,375.46</b>	<b>23,258.85</b>
<b>Expenses</b>		
Employee benefits expense	15,638.64	13,028.41
Finance costs	156.71	194.67
Depreciation and amortization expense	623.19	594.47
Other expenses	6,376.41	5,675.63
<b>Total expenses (II)</b>	<b>22,794.95</b>	<b>19,493.18</b>
<b>Profit before tax (III) [(I)-(II)]</b>	<b>4,580.51</b>	<b>3,765.67</b>
<b>Tax expense</b>		
Current tax	1,157.35	889.36
Deferred tax	26.30	125.16
<b>Total tax expense</b>	<b>1,183.65</b>	<b>1,014.52</b>
<b>Profit for the period (A)</b>	<b>3,396.86</b>	<b>2,751.15</b>
<b>Other comprehensive income / (losses) ('OCI')</b>		
<b>Items to be reclassified to profit or loss in subsequent periods</b>		
Exchange differences on translation of financial statements of foreign operations	438.89	6.10
Net change in fair value of derivatives designated as cash flow hedges	(180.64)	631.06
Income tax effect on cash flow hedges	62.55	(221.86)
<b>Items not to be reclassified to profit or loss in subsequent periods</b>		
Re-measurement gains / (losses) on defined employee benefit plans	(60.71)	(38.53)
Income tax effect on the above	21.12	13.47
<b>Total OCI for the period, net of tax (B)</b>	<b>281.21</b>	<b>390.24</b>
<b>Total comprehensive income for the period (A+B)</b>	<b>3,678.07</b>	<b>3,141.39</b>
<b>Profit for the period attributable to:</b>		
Equity owners of the Company	3,396.86	2,751.15
Non-controlling interests	-	-
	<b>3,396.86</b>	<b>2,751.15</b>
<b>Total comprehensive income for the period attributable to:</b>		
Equity owners of the Company	3,678.07	3,141.39
Non-controlling interests	-	-
	<b>3,678.07</b>	<b>3,141.39</b>
<b>Earnings per equity share (par value ₹ 10 per share)</b>		
Basic (₹)	18.16	14.75
Diluted (₹)	17.91	14.67
Weighted average number of shares – Basic	187,095,123	186,537,444
Weighted average number of shares – Diluted	189,643,814	187,484,038

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

for and on behalf of the Board of Directors

**Amit Somani**

Partner

Membership No. 060154

**Nitin Rakesh**

Chief Executive Officer

New York

**Narayanan Kumar**

Director

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Chief Financial Officer

New Delhi

22 July 2021

**Subramanian Narayan**

Senior Vice President & Company

Secretary

Bengaluru

Bengaluru

22 July 2021

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

**a. Equity share capital**

Equity shares of ₹ 10 each issued, subscribed and fully paid	No. in million	₹ million
<b>As at 1 April 2020</b>	186.54	1,865.43
Changes in equity share capital due to prior period errors	-	-
<b>Restated balance as at 1 April 2020</b>	<b>186.54</b>	<b>1,865.43</b>
Issue of shares	0.01	0.12
<b>As at 30 June 2020</b>	<b>186.55</b>	<b>1,865.55</b>
<b>As at 1 April 2021</b>	187.04	1,870.49
Changes in equity share capital due to prior period errors	-	-
<b>Restated balance as at 1 April 2021</b>	<b>187.04</b>	<b>1,870.49</b>
Issue of shares	0.13	1.32
<b>As at 30 June 2021</b>	<b>187.17</b>	<b>1,871.81</b>

**b. Other equity**

(₹ million)

	Attributable to the equity owners of the Company									Total
	Reserves and surplus							Items of OCI		
	a	b	c	d	e	f	g	h	i	
	Securities premium	General reserve	Retained earnings	Capital reserve	Capital redemption reserve	Special Economic Zone re-investment reserve	Share based payments reserve	Hedging reserve	Foreign currency translation reserve	
<b>As at 1 April 2020</b>	<b>266.18</b>	<b>2,003.57</b>	<b>44,764.37</b>	<b>361.39</b>	<b>251.66</b>	<b>1,760.52</b>	<b>581.21</b>	<b>(831.50)</b>	<b>7,273.16</b>	<b>56,430.56</b>
Profit for the period	-	-	2,751.15	-	-	-	-	-	-	2,751.15
Other comprehensive income	-	-	(25.06)	-	-	-	-	409.20	6.10	390.24
Transferred to Special Economic Zone re-investment reserve	-	-	(156.92)	-	-	156.92	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	87.90	-	-	(87.90)	-	-	-	-
Share based expenses	-	-	-	-	-	-	33.37	-	-	33.37
Issue of shares on exercise of stock options	8.13	-	-	-	-	-	(1.72)	-	-	6.41
<b>As at 30 June 2020</b>	<b>274.31</b>	<b>2,003.57</b>	<b>47,421.44</b>	<b>361.39</b>	<b>251.66</b>	<b>1,829.54</b>	<b>612.86</b>	<b>(422.30)</b>	<b>7,279.26</b>	<b>59,611.73</b>
<b>As at 1 April 2021</b>	<b>596.40</b>	<b>2,031.08</b>	<b>50,262.91</b>	<b>361.39</b>	<b>251.66</b>	<b>1,839.95</b>	<b>588.65</b>	<b>606.55</b>	<b>6,858.02</b>	<b>63,396.61</b>
Profit for the period	-	-	3,396.86	-	-	-	-	-	-	3,396.86
Other comprehensive income	-	-	(39.59)	-	-	-	-	(118.09)	438.89	281.21
Transferred to Special Economic Zone re-investment reserve	-	-	(517.28)	-	-	517.28	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	207.26	-	-	(207.26)	-	-	-	-
Share based expenses	-	-	-	-	-	-	19.93	-	-	19.93
Issue of shares on exercise of stock options	91.15	-	-	-	-	-	(20.78)	-	-	70.37
<b>As at 30 June 2021</b>	<b>687.55</b>	<b>2,031.08</b>	<b>53,310.16</b>	<b>361.39</b>	<b>251.66</b>	<b>2,149.97</b>	<b>587.80</b>	<b>488.46</b>	<b>7,296.91</b>	<b>67,164.98</b>

Loss of ₹ 39.59 and ₹ 25.06 on re-measurement of defined employee benefit plans (net of tax) is recognised as part of retained earnings for the quarter ended 30 June 2021 and 30 June 2020, respectively.

Pursuant to the requirements of Division II to Schedule III, below is the nature and purpose of each reserve:

- Securities premium** - Securities premium reserve is used to record the premium received on issue of shares. The reserve is utilised in accordance with the provisions of section 52 of the Companies Act, 2013.
- General reserve** - General reserve represents appropriation of profits. This represents a free reserve and is available for dividend distributions. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to the statement of profit and loss.
- Retained earnings** - Retained earnings comprises of prior and current year's undistributed earnings after tax.
- Capital reserve** - ₹ 265.16 million represents receipts during the year ended 31 October 2012, upon termination of Mphasis Employee Welfare Trust, in accordance with the Declaration of Trust made for administration of share-based payment plan in relation to erstwhile employees of Mphasis Corporation. The net assets of the Trust were transferred to the Company upon completion of its objectives in accordance with the provisions of the said Declaration of Trust. The same will be utilized for the purposes as permitted by the Companies Act, 2013. ₹ 94.00 million represents Capital reserve created on redemption of redeemable preference share during the year ended 31 March 2007.
- Capital Redemption Reserve ('CRR')** - Capital Redemption Reserve is created to the extent of the nominal value of the share capital extinguished on buyback of Company's own shares in accordance with Section 69 of the Companies Act, 2013. The reserve will be utilized in accordance with the provisions of section 69 of the Companies Act, 2013.
- Special Economic Zone re-investment reserve** - The Special Economic Zone Re-Investment Reserve has been created out of the profits of eligible SEZ units in accordance with the provisions of section 10AA(1)(ii) of Income Tax Act, 1961. The reserve is required to be utilized by the Company for acquiring new plant and machinery for the purpose of its business.

**Mphasis Limited**  
**Condensed consolidated interim financial statements**

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- g. **Share based payments** - Share based payments reserve is used to record the fair value of equity-settled share-based payment transactions with employees. The amounts recorded in this account are transferred to share premium upon exercise of stock options by employees.
- h. **Hedging reserve** – Cumulative changes in the fair value of financial instruments designated and effective as a hedge are recognized in this reserve through OCI (net of taxes). Amounts recognized in the hedging reserve are reclassified to the statement of profit and loss when the underlying transaction occurs.
- i. **Foreign currency translation reserve ('FCTR')** - Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their respective functional currencies to the Company's functional and presentation currency are recognized directly in OCI and accumulated in the FCTR. When a foreign operation is disposed off, the relevant amount recognized in FCTR is transferred to the statement of profit or loss as part of the profit or loss on disposal.

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

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

**Amit Somani**

*Partner*

Membership No. 060154

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New York

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*Director*

Chennai

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22 July 2021

**Manish Dugar**

*Chief Financial Officer*

New Delhi

22 July 2021

**Subramanian Narayan**

*Senior Vice President & Company Secretary*

Bengaluru

**Mphasis Limited**  
**Condensed consolidated interim financial statements**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	Quarter ended 30 June 2021	Quarter ended 30 June 2020
		(₹ million)
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>4,580.51</b>	<b>3,765.67</b>
<b>Adjustments to reconcile profit before tax to net cash provided by operating activities:</b>		
Depreciation and amortization expense	623.19	594.47
Profit on sale of property, plant and equipment and intangible assets	(3.94)	(0.02)
Net gain on investments carried at fair value through profit and loss	(244.56)	(226.75)
Share based payment expenses	19.93	33.37
Provision for expected credit loss	1.97	49.68
Finance costs	156.71	194.67
Interest income	(95.32)	(60.07)
Others	(10.83)	35.17
Unrealized exchange gain, net	(99.38)	(104.62)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>4,928.28</b>	<b>4,281.57</b>
<b>Changes in operating assets and liabilities</b>		
Trade receivables and unbilled receivables	(175.75)	641.97
Loans	12.09	82.77
Other financial assets	39.75	19.12
Other assets	(342.90)	343.29
Trade payables	143.73	(1,053.11)
Other financial liabilities	(423.78)	(343.22)
Other liabilities	131.85	298.85
Provisions and employee benefit obligations	233.20	(79.41)
<b>Total changes in operating assets and liabilities</b>	<b>(381.81)</b>	<b>(89.74)</b>
Income tax paid (net of refunds)	(658.45)	(507.05)
<b>Net cash flows generated from operating activities (A)</b>	<b>3,888.02</b>	<b>3,684.78</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(178.50)	(261.93)
Proceeds from sale of property, plant and equipment and intangible assets	4.90	0.20
Purchase of investments	(12,699.94)	(27,168.92)
Sale of investments	7,620.64	19,920.37
Interest received	50.61	63.08
Investments in bank deposits	(464.32)	(437.94)
Redemption / maturity of bank deposits	12.99	368.48
<b>Net cash flows used in investing activities (B)</b>	<b>(5,653.62)</b>	<b>(7,516.66)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	71.69	6.53
Repayment of borrowings	(3,264.93)	(3,754.36)
Availment of borrowings	4,262.01	3,284.54
Interest paid	(153.84)	(174.68)
Repayment of lease liabilities	(335.91)	(359.82)
Dividends paid	(1.09)	(1.24)
<b>Net cash flows generated from / (used in) financing activities (C)</b>	<b>577.93</b>	<b>(999.03)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(1,187.67)</b>	<b>(4,830.91)</b>
Effect of exchange rate changes	39.07	34.03
Cash and cash equivalents at the beginning of the period	7,711.44	9,880.01
<b>Cash and cash equivalents at the end of the period</b>	<b>6,562.84</b>	<b>5,083.13</b>
<b>Components of cash and cash equivalents</b>		
In current accounts	6,195.69	3,363.31
Deposits with original maturity of less than 3 months	366.96	1,719.82
Cash on hand	0.19	-
<b>Total cash and cash equivalents</b>	<b>6,562.84</b>	<b>5,083.13</b>

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated interim financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

for and on behalf of the Board of Directors

**Amit Somani**

Partner

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**Manish Dugar**

Chief Financial Officer

New Delhi

22 July 2021

**Subramanian Narayan**

Senior Vice President & Company Secretary

Bengaluru

Bengaluru

22 July 2021

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1. CORPORATE INFORMATION**

The condensed consolidated interim financial statements comprise financial statements of Mphasis Limited ('the Company') and its subsidiaries (collectively referred to as 'the Mphasis Group' or 'the Group') as at and for the quarter ended 30 June 2021. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The shares of the Company are listed on two recognised stock exchanges in India. The registered office of the Company is in Bengaluru, India.

Mphasis Group, a global Information Technology (IT) solutions provider specializes in providing cloud and cognitive services, applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach. Front2Back™ uses the exponential power of cloud and cognitive to provide hyper-personalized digital experience to clients and their end customers.

The principal activities of the below subsidiaries include providing Information Technology and Information Technology enabled services, except for Digital Risk group which renders risk, compliance, and technology related services to customers in the mortgage industry.

The condensed consolidated interim financial statements as at and for the quarter ended 30 June 2021 have been approved by the Board of Directors on 22 July 2021.

**List of subsidiaries with percentage holding**

Subsidiaries	Country of incorporation	Parent	% of holding	
			30 June 2021	31 March 2021
Mphasis Corporation	USA	Mphasis Limited	100	100
Mphasis Deutschland GmbH	Germany	Mphasis Limited	91	91
Mphasis Australia Pty Limited	Australia	Mphasis Limited	100	100
Mphasis (Shanghai) Software & Services Company Limited	China	Mphasis Limited	100	100
Mphasis Consulting Limited	United Kingdom	Mphasis Limited	100	100
Mphasis Ireland Limited	Ireland	Mphasis Limited	100	100
Mphasis Belgium BV (formerly Mphasis Belgium BVBA)	Belgium	Mphasis Limited	100	100
Mphasis Lanka (Private) Limited [refer note 1 (a)]	Sri Lanka	Mphasis Limited	100	100
Mphasis Poland s.p.z.o.o.	Poland	Mphasis Limited	100	100
PT. Mphasis Indonesia [refer note 1 (c)]	Indonesia	Mphasis Limited	100	100
Mphasis Europe BV	The Netherlands	Mphasis Corporation	59.62	59.62
		Mphasis Limited	40.38	40.38
Mphasis Infrastructure Services Inc.	USA	Mphasis Corporation	100	100
Mphasis Pte Limited	Singapore	Mphasis Europe BV	100	100
Mphasis UK Limited	United Kingdom	Mphasis Europe BV	100	100
Mphasis Software and Services (India) Private Limited	India	Mphasis Europe BV	100	100
Msource Mauritius Inc.	Mauritius	Mphasis Europe BV	100	100
Mphasis Wyde Inc.	USA	Mphasis UK Limited	100	100
Mphasis Philippines Inc.	Philippines	Mphasis Pte Limited	100	100
Msource (India) Private Limited	India	Msource Mauritius Inc.	100	100
Wyde Corporation	USA	Mphasis Wyde Inc.	100	100
Mphasis Wyde SASU	France	Wyde Corporation Inc.	100	100
Wyde Solutions Canada Inc.	Canada	Wyde Corporation Inc.	100	100
Digital Risk, LLC. *	USA	Mphasis Wyde Inc.	100	100
Digital Risk Mortgage Services, LLC. *	USA	Digital Risk, LLC.	100	100
Investor Services, LLC. *	USA	Digital Risk, LLC.	100	100
Digital Risk Valuation Services, LLC. *	USA	Digital Risk, LLC.	100	100
Digital Risk Europe, OOD. [refer note 1 (b)] *	Bulgaria	Digital Risk, LLC.	100	100
Stelligent Systems LLC	USA	Mphasis Corporation	100	100
Datalytx Limited	United Kingdom	Mphasis Consulting Limited	100	100
Datalytx MSS Limited	United Kingdom	Datalytx Limited	100	100
Dynamyx Limited	United Kingdom	Datalytx Limited	100	100
Mphasis Digi Information Technology Services (Shanghai) Limited [refer note 1 (d)]	China	Mphasis (Shanghai) Software & Services Company Limited	100	-

\* Forms part of Digital Risk group.

**List of Trusts that are consolidated.**

- Mphasis Employees Benefit Trust.
- Mphasis Employees Equity Reward Trust.

- a) On 22 July 2013, the Board of Directors of Mphasis Lanka (Private) Limited, a wholly owned subsidiary of Mphasis Limited, resolved to close its operations.
- b) On 31 March 2017, the management of Digital Risk LLC resolved to close the operations of Digital Risk Europe, OOD.
- c) On 16 April 2018, the shareholders of PT. Mphasis Indonesia resolved to dissolve and liquidate the entity.
- d) On 26 May 2021, Mphasis Digi Information Technology Services (Shanghai) Limited was incorporated as a wholly owned subsidiary under Mphasis (Shanghai) Software & Services Company Limited.

**Statement of compliance**

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) 34, Interim Financial Reporting, specified under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, as amended from time to time.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation**

The condensed consolidated interim financial statements have been prepared on a historical cost convention and on an accrual basis of accounting, except for the following assets and liabilities which have been measured at fair value.

- Derivative financial instruments.
- Investments classified as Fair Value Through Profit or Loss ('FVTPL').
- Fair value of plan assets less present value of defined benefit obligations.

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

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

The Group's condensed consolidated interim financial statements are presented in Indian Rupee ('₹'). The functional currency of the Company and its Indian subsidiaries is Indian Rupee ('₹'). The functional currency of foreign subsidiaries is the currency of the primary economic environment in which the entity operates. All the values are rounded off to the nearest million (INR 000,000) except when otherwise indicated.

The statement of cash flows have been prepared under the indirect method.

The Group has followed the same accounting policies in preparation of the condensed consolidated interim financial statements as those followed in preparation of the annual consolidated financial statements as at and for the year ended 31 March 2021. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related notes as at and for the year ended 31 March 2021.

### **Impact of the Global Pandemic ('Covid-19')**

The Group has taken into account the possible impacts of Covid-19 in preparation of the condensed consolidated interim financial statements, including but not limited to its assessment of liquidity and going concern assumption, impairment triggers for non-current assets including goodwill, recoverable values of its financial and non-financial assets, impact on revenues and on cost budgets in respect of fixed price contracts, impact on measurement of deferred tax assets / liabilities, impact on leases and impact on effectiveness of its hedging relationships. The Group has considered available sources of information, both internal and external, upto the date of approval of the condensed consolidated interim financial statements and expects to recover the carrying amount of its assets. The impact of Covid-19 on the condensed consolidated interim financial statements may differ from that estimated as at the date of approval of these condensed consolidated interim financial statements.

## **3. RECENT PRONOUNCEMENTS**

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

### **Ind AS - 116 Leases**

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

### **Interest rate benchmark reform - Phase 2**

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

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

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

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

### **Amendments to Ind AS consequential to Conceptual Framework under Ind AS**

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

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

## **4. BUSINESS COMBINATION**

On 19 November 2020, the Company through its wholly owned subsidiary, Mphasis Consulting Limited, obtained control of Datalytx Limited and its subsidiaries ('Datalytx') by acquiring 100% of its shares in cash. Datalytx is a next-gen data engineering and consultancy company providing next-gen data Engineering, Data Ops and Master Data Management solutions on Snowflake and Talend environments. The acquisition seeks to strengthen the Group's next-gen data strategy and build capabilities relevant to the digital priorities of its clients.

The acquisition was executed through a share purchase agreement for a consideration of GBP 11.55 million (₹ 1,141.92 million). The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill.



**Mphasis Limited**  
**Condensed consolidated interim financial statements**

The following table shows the final allocation of purchase price:

(₹ million)

Description	Useful life	Pre-acquisition carrying amount	Fair value adjustments	Purchase price allocated
Net assets		318.58	-	318.58
Business alliance partnerships	6 years	-	118.69	118.69
Customer contracts and relationships	4-7 years	-	138.47	138.47
Brand	5 years	-	39.56	39.56
Deferred tax liabilities on intangible assets		-	-	(56.90)
<b>Total</b>		<b>318.58</b>	<b>296.72</b>	<b>558.40</b>
Goodwill				583.52
<b>Total purchase price</b>				<b>1,141.92</b>

Net assets acquired include ₹ 151.32 million of cash and cash equivalents and trade and other receivables valued at ₹ 278.59 million.

Goodwill of ₹ 583.52 million comprises value of acquired workforce and expected synergies arising from the acquisition. The goodwill is not tax-deductible and has been allocated to the Datalytx CGU.

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

**5. FINANCIAL INSTRUMENTS**

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

Particulars (as at 30 June 2021)	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	6,562.84	<b>6,562.84</b>
Bank balances other than cash and cash equivalents	-	-	-	3,213.79	<b>3,213.79</b>
Investments	22,184.54	-	-	1,599.50	<b>23,784.04</b>
Trade receivables	-	-	-	8,659.03	<b>8,659.03</b>
Loans	-	-	-	142.97	<b>142.97</b>
Derivative assets	-	891.36	27.65	-	<b>919.01</b>
Unbilled receivables	-	-	-	10,322.42	<b>10,322.42</b>
Other financial assets	-	-	-	3,166.32	<b>3,166.32</b>
<b>Total</b>	<b>22,184.54</b>	<b>891.36</b>	<b>27.65</b>	<b>33,666.87</b>	<b>56,770.42</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	6,187.69	<b>6,187.69</b>
Lease liabilities	-	-	-	7,143.40	<b>7,143.40</b>
Trade payables	-	-	-	6,185.61	<b>6,185.61</b>
Derivative liabilities	-	140.98	50.47	-	<b>191.45</b>
Other financial liabilities	-	-	-	2,785.31	<b>2,785.31</b>
<b>Total</b>	<b>-</b>	<b>140.98</b>	<b>50.47</b>	<b>22,302.01</b>	<b>22,493.46</b>
<b>Particulars (as at 31 March 2021)</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	7,711.44	<b>7,711.44</b>
Bank balances other than cash and cash equivalents	-	-	-	2,910.98	<b>2,910.98</b>
Investments	15,370.59	-	-	3,089.59	<b>18,460.18</b>
Trade receivables	-	-	-	9,294.82	<b>9,294.82</b>
Loans	-	-	-	154.45	<b>154.45</b>
Derivative assets	-	1,034.33	77.30	-	<b>1,111.63</b>
Unbilled receivables	-	-	-	9,210.05	<b>9,210.05</b>
Other financial assets	-	-	-	2,959.51	<b>2,959.51</b>
<b>Total</b>	<b>15,370.59</b>	<b>1,034.33</b>	<b>77.30</b>	<b>35,330.84</b>	<b>51,813.06</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	5,134.50	<b>5,134.50</b>
Lease liabilities	-	-	-	6,676.52	<b>6,676.52</b>
Trade payables	-	-	-	5,963.96	<b>5,963.96</b>
Derivative liabilities	-	103.31	9.43	-	<b>112.74</b>
Other financial liabilities	-	-	-	3,168.44	<b>3,168.44</b>
<b>Total</b>	<b>-</b>	<b>103.31</b>	<b>9.43</b>	<b>20,943.42</b>	<b>21,056.16</b>

**Fair value hierarchy**

Particulars	As at 30 June 2021				As at 31 March 2021			
	Fair value measurements at reporting date using				Fair value measurements at reporting date using			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets</b>								
Investments	<b>22,184.54</b>	19,738.36	2,446.18	-	<b>15,370.59</b>	12,955.32	2,415.27	-
Derivative assets	<b>919.01</b>	-	919.01	-	<b>1,111.63</b>	-	1,111.63	-
<b>Liabilities</b>								
Derivative liabilities	<b>191.45</b>	-	191.45	-	<b>112.74</b>	-	112.74	-

## 6. CONTINGENT LIABILITIES AND COMMITMENTS

a. The Group has disputes with income tax authorities in India and other jurisdictions where they operate. The ongoing disputes pertain to various assessment years from 2002-03 to 2016-17. The matters under dispute pertain to transfer pricing, tax treatment of certain expenses claimed as deductions, or allowances, characterization of fees for services paid and applicability of withholding taxes. Claims against the Group in relation to direct taxes, transfer pricing and indirect tax matters not acknowledged as debts amount to ₹ 9,040.22 million (31 March 2021: ₹ 9,033.09 million).

In relation to other tax demands not included above, the Group has furnished bank guarantees amounting to ₹ 6,661.95 million (31 March 2021: ₹ 6,661.95 million). These demands are being contested by the Group based on management evaluation, advice of tax consultants and legal advice obtained. No provision has been made in the books of accounts. The Group has filed appeals against such orders with the appropriate authorities.

The Group has received notices and inquiries from income tax authorities related to the Group's operations in the jurisdictions it operates in. The Group has evaluated these notices, responded appropriately, and believes there are no financial statement implications as on date.

b. Other outstanding bank guarantees as at 30 June 2021: ₹ 205.47 million (31 March 2021: ₹ 194.98 million) pertains to guarantees on behalf of the Group to regulatory authorities.

c. In addition to the above matters, the Group has other claims not acknowledged as debts amounting to ₹ 800.15 million (31 March 2021: ₹ 800.15 million). There has been a Supreme Court judgement dated 28 February 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the Provident Fund Act, 1952. However, considering that there are numerous interpretative issues relating to this judgment, including the effective date of the application, and based on expert advice obtained, the Group is unable to reasonably estimate the expected impact of the Supreme Court decision. The Group will continue to assess any further developments in this matter for the implications on financial statements, if any.

d. Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for as at 30 June 2021: ₹ 85.67 million (31 March 2021: ₹ 241.62 million).

7. The Code on Social Security 2020 ('Code'), which received the Presidential Assent on 28 September 2020, subsumes nine regulations relating to social security, retirement, and employee benefits. The Code will have an impact on the contributions towards gratuity and provident fund made by the Company and its Indian subsidiaries. The Ministry of Labour and Employment ('Ministry') has released draft rules for the Code on 13 November 2020 and has invited suggestions from stake holders. The suggestions received are under consideration by the Ministry. The effective date of the Code has not yet been notified and the related rules to ascertain the financial impact are yet to be finalized and notified. The Company and its Indian subsidiaries will assess the impact once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

## 8. SEGMENT REPORTING

Operating segments are defined as components of the Group for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. The Group's Chief Operating Decision Maker ('CODM') is the Chief Executive Officer.

The Group has identified business segments as reportable segments. The business segments identified are: Banking and Capital Market, Logistics and transportation, Information Technology Communication and Entertainment, Insurance, and Others.

The accounting policies consistently used in the preparation of financial statements are also applied to record revenue and expenditure in individual segments. Revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group, therefore, believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

CODM does not review assets and liabilities at reportable segments level, hence segment disclosures relating to total assets and liabilities have not been provided.

Client relationships are driven based on client domicile. The geographical segments include United States of America ('Americas'), India, Europe, Middle East & Africa, ('EMEA') and Rest of the world ('ROW').

	(₹ million)	
	Quarter ended 30 June 2021	Quarter ended 30 June 2020
<b>Business segments</b>		
<b>Segment revenue</b>		
Banking and Capital Market	13,705.51	11,239.69
Logistics and Transportation	3,743.60	3,234.39
Information Technology, Communication and Entertainment	3,800.96	3,257.92
Insurance	2,445.83	2,293.25
Others	3,052.74	3,011.62
Unallocated - hedge	159.70	(154.73)
<b>Total segment revenue</b>	<b>26,908.34</b>	<b>22,882.14</b>
<b>Segment result</b>		
Banking and Capital Market	3,097.53	2,747.20
Logistics and Transportation	1,561.42	1,233.93
Information Technology, Communication and Entertainment	506.82	604.20
Insurance	732.23	654.25
Others	1,107.32	1,059.90
Unallocated - hedge	159.70	(154.73)
<b>Total segment result</b>	<b>7,165.02</b>	<b>6,144.75</b>
Finance costs	(156.71)	(194.67)
Other income	467.12	376.71
Other unallocable expenditure	(2,894.92)	(2,561.12)
<b>Profit before taxation</b>	<b>4,580.51</b>	<b>3,765.67</b>
Income taxes	1,183.65	1,014.52
<b>Profit after taxation</b>	<b>3,396.86</b>	<b>2,751.15</b>

	(₹ million)	
	Quarter ended 30 June 2021	Quarter ended 30 June 2020
<b>Geographic revenues</b>		
Americas	20,410.02	17,696.17
India	1,256.46	947.70
EMEA	3,242.65	2,749.31
ROW	1,839.51	1,643.69
Unallocated - hedge	159.70	(154.73)
<b>Total</b>	<b>26,908.34</b>	<b>22,882.14</b>

#### 9. DISSAGGREGATION OF REVENUE

<b>Services rendered</b>		
Application Services	16,561.62	14,695.22
Business Process Services	7,171.96	4,852.10
Infrastructure Services	3,015.06	3,489.55
Unallocated - hedge	159.70	(154.73)
<b>Total</b>	<b>26,908.34</b>	<b>22,882.14</b>
<b>Delivery location</b>		
Onsite	15,719.91	13,804.29
Offshore	11,028.73	9,232.58
Unallocated - hedge	159.70	(154.73)
<b>Total</b>	<b>26,908.34</b>	<b>22,882.14</b>
<b>Project type</b>		
Time and material	15,488.70	13,528.71
Fixed price	6,953.57	6,003.13
Transaction based	4,306.37	3,505.03
Unallocated - hedge	159.70	(154.73)
<b>Total</b>	<b>26,908.34</b>	<b>22,882.14</b>
<b>Market</b>		
Direct	23,801.83	18,074.78
DXC	2,467.34	4,621.69
Others	479.47	340.40
Unallocated - hedge	159.70	(154.73)
<b>Total</b>	<b>26,908.34</b>	<b>22,882.14</b>

#### 10. HEDGING ACTIVITIES AND DERIVATIVES

The Group's revenue is denominated in various foreign currencies. Given the nature of business, a large part of the costs are denominated in INR. This exposes the Group to currency fluctuations. The Group uses foreign exchange forward contracts to manage exposure on some of its transactions. The counterparty, for all derivative financial instruments is a bank.

The Group has taken cash flow hedges on account of highly probable forecast transactions. Designated cash flow hedges are measured at Fair Value Through OCI. Other derivatives which are not designated as hedge are measured at FVTPL.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

The following are outstanding forward contracts which have been designated as cash flow hedges:

Currency	As at 30 June 2021			As at 31 March 2021		
	Number of contracts	Notional amount (million in respective currencies)	Fair value gain / (loss) (₹ million)	Number of contracts	Notional amount (million in respective currencies)	Fair value gain / (loss) (₹ million)
USD	460	624.00	770.67	452	599.50	947.19
GBP	79	15.41	(20.20)	76	14.31	(23.75)
EUR	96	27.26	36.62	100	24.33	59.46
CAD	65	14.04	(20.95)	53	13.25	(11.99)
AUD	78	17.97	(15.76)	77	17.19	(39.89)
<b>Total</b>			<b>750.38</b>			<b>931.02</b>

The Group has entered into derivative instruments not in hedging relationship by way of foreign exchange forwards. As at 30 June 2021 and 31 March 2021, the notional amount of outstanding contracts aggregated to ₹ 9,279.14 million and ₹ 9,923.05 million, respectively. The fair value of these contracts have a net loss of ₹ 22.82 million and net gain of ₹ 67.88 million as at 30 June 2021 and 31 March 2021 respectively.

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

	(₹ million)	
	Quarter ended 30 June 2021	Quarter ended 30 June 2020
Balance at the beginning of the period	606.55	(831.50)
Change in fair value of effective portion of cash flow hedges	(20.94)	476.33
(Gain) / loss transferred to statement of profit and loss on occurrence of forecasted hedges	(159.70)	154.73
Income tax effect on the above	62.55	(221.86)
<b>Total</b>	<b>488.46</b>	<b>(422.30)</b>

#### Sensitivity analysis

For every 1% appreciation / depreciation of the respective underlying foreign currencies, the Group's OCI will decrease / increase by approximately ₹ 520.00 million (31 March 2021: ₹ 489.00 million).

### **11. RELATED PARTY TRANSACTIONS**

During the previous year, the Company paid an amount of ₹ 3,301.19 million (net of withholding taxes ₹ 366.80 million) to Marble II Pte Ltd., the holding company towards final dividend for the year ended 31 March 2020 as approved by the shareholders.

Other than the above, the Group did not have any other material related party transactions and outstanding balances as at and for the quarter ended 30 June 2021.

### **12. PROPOSED DIVIDEND**

The Board of Directors at their meeting held on 13 May 2021 had proposed a final dividend of ₹ 65 per equity share for the year ended 31 March 2021 which is subject to the approval of shareholders at the ensuing Annual General Meeting and if approved, would result in a cash outflow of approximately ₹ 12,167.61 million.

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

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

**Amit Somani**

*Partner*

Membership No. 060154

**Nitin Rakesh**

*Chief Executive Officer*

New York

**Narayanan Kumar**

*Director*

Chennai

Bengaluru

22 July 2021

**Manish Dugar**

*Chief Financial Officer*

New Delhi

22 July 2021

**Subramanian Narayan**

*Senior Vice President & Company Secretary*

Bengaluru