

Group Financial Overview and Trends for the Quarter and Year ending 31 Mar 2015

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Overview of Quarter and Yearly 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.

Note: The Company has changed its financial year from 31st October to 31st March from financial year 2013-14. Consequently, in the absence of comparable proforma financial statements for the corresponding period of the previous year, the financial performance of the company for the quarter ended 31st March 2015 has been compared with that of the 2 months period ended 31st March 2014 and the year ended 31st March 2015 has been compared with that of the 5 months period ended 31st March 2014.

For computing the growth percentages mentioned in the commentary below, results for the corresponding quarter in the previous year have been normalised from 2 to 3 months and results for the previous year have been normalised from 5 to 12 months. While care has been taken in this normalization, it needs to be noted that the comparison is between two unequal periods and hence to that extent the percentages are approximate in nature.

1. Key Highlights

- Net revenue increased by 1.3% sequentially on a reported basis and 2.5% net of rupee appreciation in Q4 FY15.
- Strong turnaround in Digital Risk during the quarter. Direct business revenue grew 5.7% sequentially on a reported basis and 6.9% net of rupee appreciation in Q4 FY15.
- Direct Organic revenue in Mature Markets grew 1.3% QoQ in Q4 FY15 on a reported basis. Net of rupee appreciation, revenue grew by 2.8%.
- Continue to witness momentum in Deal wins. Won significant deals with TCV of USD 82 million in Q4 FY15 in Direct business.
- Net margin increased by 70 bps to 12.4% during Q4 FY15.
- DSO improved by 2 days to 70 days helping in sustained cash generation in Q4 FY15.

2. Revenue

a. Direct Business

- Revenue grew 5.7% sequentially. Net of rupee appreciation the growth is 6.9% in Q4 FY15.
- Strong turnaround in Digital Risk with revenue growth of 37.4% in Q4 FY15 on a reported basis.
- Organic revenue grew 0.1% sequentially on a reported basis and 1.4% net of rupee appreciation in Q4 FY15.
- Organic business in Mature Markets grew 1.3% sequentially on a reported basis in Q4 FY15. Net of rupee appreciation, growth at 2.8%.

b. HP Business

HP channel revenue declined by 9.1% to ₹ 4,430 million in Q4 FY15 on account of client ramp downs. HP Channel constitutes 31% of total revenues during the quarter.

3. Financial indicators**a. Revenues**

Revenue (net of hedge) for Q4 FY15 was ₹ 14,290 million representing a growth of 1.3% over Q3 FY15. Net of rupee appreciation, growth is 2.5%.

b. Gross Profit

Gross profit improved during Q4 FY15 to ₹ 3,627 million on account of growth in Digital Risk.

c. Selling Expenses

Selling expenses were at ₹ 861 million (6.0% of revenue) in Q4 FY15 as compared to ₹ 740 million (5.2% of revenue) in Q3 FY15. This is in line with our planned increased spend on sales & marketing.

d. General and Administrative Expenses

General and Administrative expenses were at ₹ 813 million (5.7% of revenue) in Q4 FY15 as compared to ₹ 730 million (5.2% of revenue) in Q3 FY15.

e. EBIT

Operating margin declined by 50 bps during the quarter to 12.5% on account of provision for India Government business. Operating profit for Q4 FY15 was ₹ 1,783 million.

f. Other income, net

Other income increased by 19.3% over previous quarter to ₹ 525 million on account of certain fixed income investments that matured during the quarter.

g. Net Profit

Net profit increased by 7.6% QoQ to ₹ 1,777 million in Q4 FY15 on account of higher other income. Net margin in Q4 FY15 was at 12.4% against 11.7% in Q3 FY15.

h. Cash Management

Cash and cash equivalents increased by ₹ 632 million during the quarter to ₹ 27,640 million (USD 442M). Excluding impact of certain non-routine payments of ₹ 1,072 million, operating cash generated during the quarter is ₹ 1,704 million.

Consolidated Profit and Loss Account

₹ Millions

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	QoQ Growth %	2 months ended 31 Mar 2014
Gross Revenues	14,169	14,082	0.6%	10,438
Adjustment from Hedging Reserve	121	26	365.4%	(139)
Net Revenues	14,290	14,108	1.3%	10,299
<i>Cost of revenues</i>	<i>10,663</i>	<i>10,810</i>	<i>-1.4%</i>	<i>7,562</i>
Manpower cost	8,564	8,785	-2.5%	5,875
Rent	651	655	-0.6%	436
Depreciation and Amortization	209	214	-2.3%	194
Others	1,239	1,156	7.2%	1,057
Gross profit	3,627	3,298	10.0%	2,737
<i>Selling expenses</i>	<i>861</i>	<i>740</i>	<i>16.4%</i>	<i>666</i>
Manpower cost	681	598	13.9%	492
Travel	76	90	-15.6%	79
Depreciation and Amortization	12	11	9.1%	8
Others	92	41	124.4%	87
<i>General and administrative expenses</i>	<i>813</i>	<i>730</i>	<i>11.4%</i>	<i>520</i>
Manpower cost	531	522	1.7%	340
Rent	22	21	4.8%	16
Depreciation and Amortization	11	13	-15.4%	8
Others	249	174	43.1%	156
<i>Provision for doubtful debts</i>	<i>170</i>	<i>-</i>	<i>-</i>	<i>-</i>
Operating profit	1,783	1,828	-2.5%	1,551
Foreign exchange gain, net	150	57	163.2%	23
Other income, net	525	440	19.3%	198
Interest expenses	(51)	(61)	-16.4%	(43)
Profit before taxation before Exceptional Item	2,407	2,264	6.3%	1,729
Exceptional Item	-	(32)	-	-
Profit before taxation after Exceptional Item	2,407	2,232	7.8%	1,729
Income taxes	630	613	2.8%	508
-Current	584	347	68.3%	368
-Deferred	46	266	-82.7%	140
-Minimum alternative tax credit entitlement	-	-	-	-
Net profit before Exceptional Item	1,777	1,651	7.6%	1,221
Net profit after Exceptional Item	1,777	1,619	9.8%	1,221
Earning per share (par value ₹10)				
Before Exceptional Item (₹)	8.46	7.86	7.6%	5.81
After Exceptional Item (₹)	8.46	7.71	9.7%	5.81

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

Consolidated Profit and Loss Account

	₹ Millions	
	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Gross Revenues	57,803	26,326
Adjustment from Hedging Reserve	145	(387)
Net Revenues	57,948	25,939
<i>Cost of revenues</i>	43,423	19,056
Manpower cost	34,696	15,053
Rent	2,608	1,055
Depreciation and Amortization	883	456
Others	5,236	2,492
Gross profit	14,525	6,883
<i>Selling expenses</i>	3,654	1,616
Manpower cost	2,573	1,231
Travel	377	177
Depreciation and Amortization	46	23
Others	658	185
<i>General and administrative expenses</i>	2,940	1,288
Manpower cost	1,965	906
Rent	87	37
Depreciation and Amortization	51	25
Others	837	320
<i>Provision for doubtful debts</i>	211	86
Operating profit	7,720	3,893
Foreign exchange gain, net	286	(25)
Other income, net	1,682	525
Interest expenses	(279)	(111)
Profit before taxation before Exceptional Item	9,409	4,282
Exceptional Item	(32)	(64)
Profit before taxation after Exceptional Item	9,377	4,218
Income taxes	2,631	1,191
-Current	2,142	1,014
-Deferred	493	177
-Minimum alternative tax credit entitlement	(4)	-
Net profit before Exceptional Item	6,778	3,091
Net profit after Exceptional Item	6,746	3,027
Earning per share (par value ₹10)		
Before Exceptional Item (₹)	32.26	14.71
After Exceptional Item (₹)	32.10	14.40

Key Performance Indicators

		Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
PROFIT AND LOSS ACCOUNT						
Gross margin	%	25.4%	23.4%	26.6%	25.1%	26.5%
Selling expenses	%	6.0%	5.2%	6.5%	6.3%	6.2%
General and administrative expenses	%	5.7%	5.2%	5.0%	5.1%	5.0%
Operating margin	%	12.5%	13.0%	15.1%	13.3%	15.0%
EBITDA margin	%	14.1%	14.6%	17.1%	15.0%	17.0%
Net margin*	%	12.4%	11.7%	11.9%	11.7%	11.9%
Effective tax rate*	%	26.2%	27.1%	29.4%	28.0%	27.8%
EPS (Basic)*	₹	8.46	7.86	5.81	32.26	14.71

*Before exceptional item

Exchange Rates

		Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Period Closing Rate	₹/\$	62.50	63.04	59.92	62.50	59.92
Average Exchange Rate		62.09	62.18	60.75	61.23	61.69

Consolidated Balance sheet

₹ Millions

	31 Mar 2015	31 Dec 2014	31 Mar 2014
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	2,101	2,101	2,101
Reserves and surplus	52,590	54,983	48,965
Employee stock options outstanding	107	88	84
	54,798	57,172	51,150
LOAN FUNDS	-		
Secured loans	4,503	4,822	5,396
Unsecured loans	1,250	1,261	-
DEFERRED TAX LIABILITY	500	504	159
	61,051	63,759	56,705
APPLICATION OF FUNDS	-		
FIXED ASSETS	-		
Cost	10,055	11,027	10,912
Accumulated depreciation	(8,499)	(9,276)	(8,734)
Net book value	1,556	1,751	2,178
Capital work-in-progress including capital advances	318	276	62
	1,874	2,027	2,240
GOODWILL	21,781	22,477	21,865
INVESTMENTS	14,431	14,498	18,154
DEFERRED TAX ASSETS	826	876	968
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors	6,306	6,959	7,883
Unbilled revenues	5,065	4,457	5,084
Cash and bank balances	13,209	12,510	4,670
Interest receivable	102	92	30
Loans and advances	10,332	9,233	8,855
	35,014	33,251	26,522
CURRENT LIABILITIES AND PROVISIONS	-		
Current liabilities	7,145	7,658	9,446
Provisions	5,730	1,712	3,598
	12,875	9,370	13,044
NET CURRENT ASSETS	22,139	23,881	13,478
	61,051	63,759	56,705

Key Performance Indicators

		Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
BALANCE SHEET						
Cash & cash equivalents	₹ Millions	27,640	27,008	22,824	27,640	22,824
Receivables	Days	70	72	71	70	71

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 ₹ 98 million (Q3 FY15 - ₹ 98 million, Q2 FY14 - ₹ 98 million)

The Group's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds and fixed maturity plans (FMP) for maturities up to 15 months. 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 current investments have been recorded at lower of cost or net realisable value and non-current investments have been recorded at cost.

Primary Segment Information

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	QoQ Growth %	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Segment Revenue						
Banking and Capital Market	5,927	5,571	6.4%	4,333	23,702	10,906
Insurance	2,162	2,104	2.8%	1,262	8,125	3,304
Information Technology, Communication & Entertainment	2,217	2,379	-6.8%	1,699	9,578	4,256
Emerging Industries	3,863	4,028	-4.1%	3,144	16,398	7,860
Total Revenues	14,169	14,082	0.6%	10,438	57,803	26,326
Segment Profit						
Banking and Capital Market	997	750	32.9%	1,160	4,341	2,669
Insurance	472	418	12.9%	228	1,611	800
Information Technology, Communication & Entertainment	675	745	-9.4%	432	2,871	1,115
Emerging Industries	1,362	1,359	0.2%	1,058	5,557	2,688
Total Segment Profit	3,506	3,272	7.2%	2,878	14,380	7,272
Gross Margin %						
Banking and Capital Market	16.8%	13.5%	3.3%	26.8%	18.3%	24.5%
Insurance	21.8%	19.9%	1.9%	18.1%	19.8%	24.2%
Information Technology, Communication & Entertainment	30.4%	31.3%	-0.9%	25.4%	30.0%	26.2%
Emerging Industries	35.3%	33.7%	1.6%	33.7%	33.9%	34.2%
Total	24.7%	23.2%	1.5%	27.6%	24.9%	27.6%

Note: Segment revenue is gross of adjustment from hedging reserve

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

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Onsite	6,603 47%	6,045 43%	4,796 46%	26,039 45%	12,235 46%
Offshore	7,566 53%	8,037 57%	5,642 54%	31,764 55%	14,091 54%
Total	14,169	14,082	10,438	57,803	26,326

(b) By Project Type

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Time and Material	12,126 86%	11,728 83%	9,015 86%	49,396 85%	22,819 87%
Fixed Price	2,043 14%	2,354 17%	1,423 14%	8,407 15%	3,507 13%
Total	14,169	14,082	10,438	57,803	26,326

(c) By Secondary Market Segment

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
HP Channel	4,430 31%	4,872 35%	3,775 36%	19,904 34%	9,698 37%
Mature Market - Direct Channel	8,496 60%	7,893 56%	5,932 57%	33,222 58%	15,028 57%
Emerging Market - Direct Channel	1,243 9%	1,317 9%	731 7%	4,677 8%	1,600 6%
Total	14,169	14,082	10,438	57,803	26,326

(d) By Geography

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
AMERICAS	10,258 73%	9,789 70%	7,683 74%	41,310 71%	19,476 74%
EMEA	1,561 11%	1,823 13%	1,292 12%	7,204 12%	3,382 13%
INDIA	1,462 10%	1,479 11%	876 8%	5,518 10%	1,973 7%
ROW	888 6%	991 7%	587 6%	3,771 7%	1,495 6%
Total	14,169	14,082	10,438	57,803	26,326

(e) By Service Type

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Application Maintenance & Other Services	4,126 29%	4,083 29%	2,753 26%	16,654 29%	7,347 28%
Application Development	3,473 24%	3,585 25%	2,429 23%	13,874 24%	5,661 22%
Customer Service	804 6%	813 6%	507 5%	3,282 6%	1,311 5%
Service / Technical Help Desk	239 2%	279 2%	353 3%	1,405 2%	875 3%
Transaction Processing Service	1,007 7%	1,001 7%	540 5%	3,595 6%	1,376 5%
Infrastructure Management Services	2,449 17%	2,766 20%	1,949 19%	10,792 19%	4,764 18%
Knowledge Processes	1,989 14%	1,479 11%	1,886 18%	7,982 14%	4,810 18%
License Income	82 1%	76 1%	21 0%	219 0%	182 1%
Total	14,169	14,082	10,438	57,803	26,326

(f) Client Concentration

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Revenues from Top Client	8%	8%	10%	8%	10%
Revenues from Top 5 Clients	34%	35%	34%	34%	34%
Revenues from Top 10 Clients	48%	49%	47%	48%	47%
Clients Contributing more than:					
\$ 20 million Revenues	9	8	11	9	11
- <i>Direct Channel</i>	7	6	8	7	8
- <i>HP Channel</i>	2	2	3	2	3
\$ 10 million Revenues	19	17	19	19	19
- <i>Direct Channel</i>	14	12	13	14	13
- <i>HP Channel</i>	5	5	6	5	6
\$ 5 million Revenues	39	42	43	39	43
- <i>Direct Channel</i>	25	25	25	25	25
- <i>HP Channel</i>	14	17	18	14	18
\$ 1 million Revenues	102	100	112	102	112
- <i>Direct Channel</i>	57	49	57	57	57
- <i>HP Channel</i>	45	51	55	45	55

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

Tower Information

(a) Headcount*

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014
Onsite			
- Application Services	2,343	2,317	2,296
- ITO Services	186	199	212
- BPO Services	1,594	1,159	1,813
Offshore			
- Application Services	8,177	8,136	8,422
- ITO Services	4,562	5,078	6,327
- BPO Services	15,797	16,853	15,098
Sales and Marketing	333	327	376
General and Administration	1,047	1,073	1,122
Total	34,039	35,142	35,666

* Note: Including billable contractors

(b) Utilization Rates

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Excluding Trainees					
Onsite					
- Application Services	93%	92%	93%	93%	91%
- ITO Services	96%	97%	86%	96%	83%
Offshore					
- Application Services	86%	83%	86%	85%	85%
- ITO Services	92%	91%	92%	93%	93%
- BPO Services	76%	76%	76%	78%	77%
Blended					
- Application Services	87%	85%	87%	87%	86%
- ITO Services	92%	91%	92%	93%	92%
- BPO Services	76%	76%	76%	78%	77%
Including Trainees					
Onsite					
- Application Services	93%	92%	93%	93%	91%
- ITO Services	96%	97%	86%	96%	83%
Offshore					
- Application Services	79%	79%	83%	81%	83%
- ITO Services	90%	90%	89%	90%	89%
- BPO Services	65%	62%	66%	65%	65%
Blended					
- Application Services	82%	82%	85%	83%	84%
- ITO Services	91%	90%	89%	90%	89%
- BPO Services	65%	62%	66%	65%	65%

(c) Billing Rates

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Onsite					
Application Services	71	70	69	69	68
ITO Services	70	62	66	66	62
Offshore					
Application Services	21	21	20	21	20
ITO Services	19	20	21	20	21
BPO Services	7	7	6	6	6

Other details

Client wins

	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	2 months ended 31 Mar 2014	Year ended 31 Mar 2015	5 months ended 31 Mar 2014
Banking and Capital Market	4	2	2	16	4
Insurance	1	0	0	2	3
Information Technology, Communication & Entertainment	2	0	2	5	2
Emerging Industries	5	1	4	18	10
Total client additions	12	3	8	41	19
Direct Channel	8	3	4	27	14
HP Channel	4	0	4	14	5
Total client additions	12	3	8	41	19

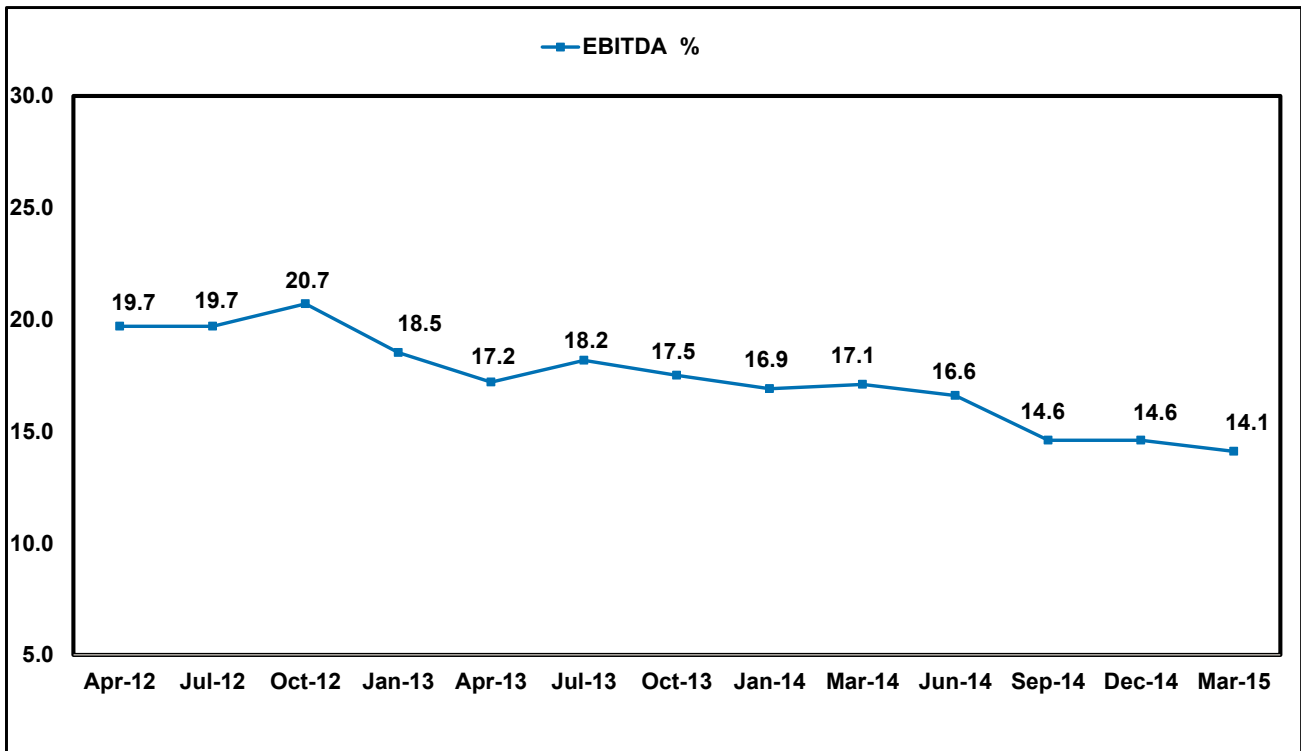
Hedge

	As at 31 Mar 2015	As at 31 Dec 2014	As at 31 Mar 2014
Hedge amount - Millions			
USD	211	203	235
AUD	5	5	4
GBP	10	11	10
EUR	20	17	13
SGD	3	2	3
CAD	5	4	4
Average hedge rate including premia	₹	₹	₹
USD	64.26	63.92	61.99
AUD	49.32	53.65	55.48
GBP	102.88	102.96	99.49
EUR	75.58	82.16	85.53
SGD	46.34	48.43	48.96
CAD	50.78	55.51	54.94

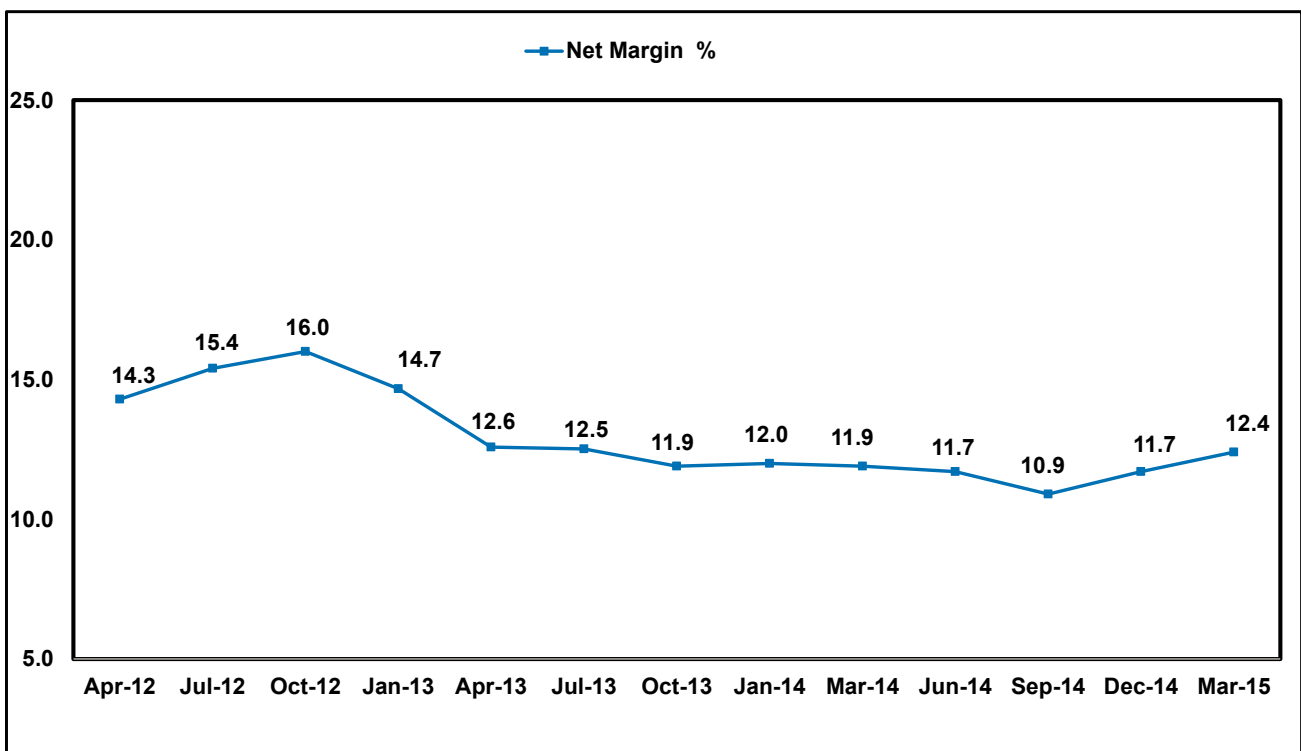
Our exposure to foreign exchange risk arises principally on account of non-functional monetary assets/liabilities at the balance sheet date and highly probable forecast transactions denominated in USD,GBP,EUR,AUD,CAD & SGD. We have sought to reduce the effect of foreign exchange risk arising from the 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 Q1-14, the hedge policy was amended to cap the maturity of the hedges to upto 1 year. The outstanding hedges have maturities of upto 12 months. We use these instruments as hedges and not for speculative purposes and all of them qualify for hedge accounting under AS-30 published by the Institute of Chartered Accountants of India.

TRENDS

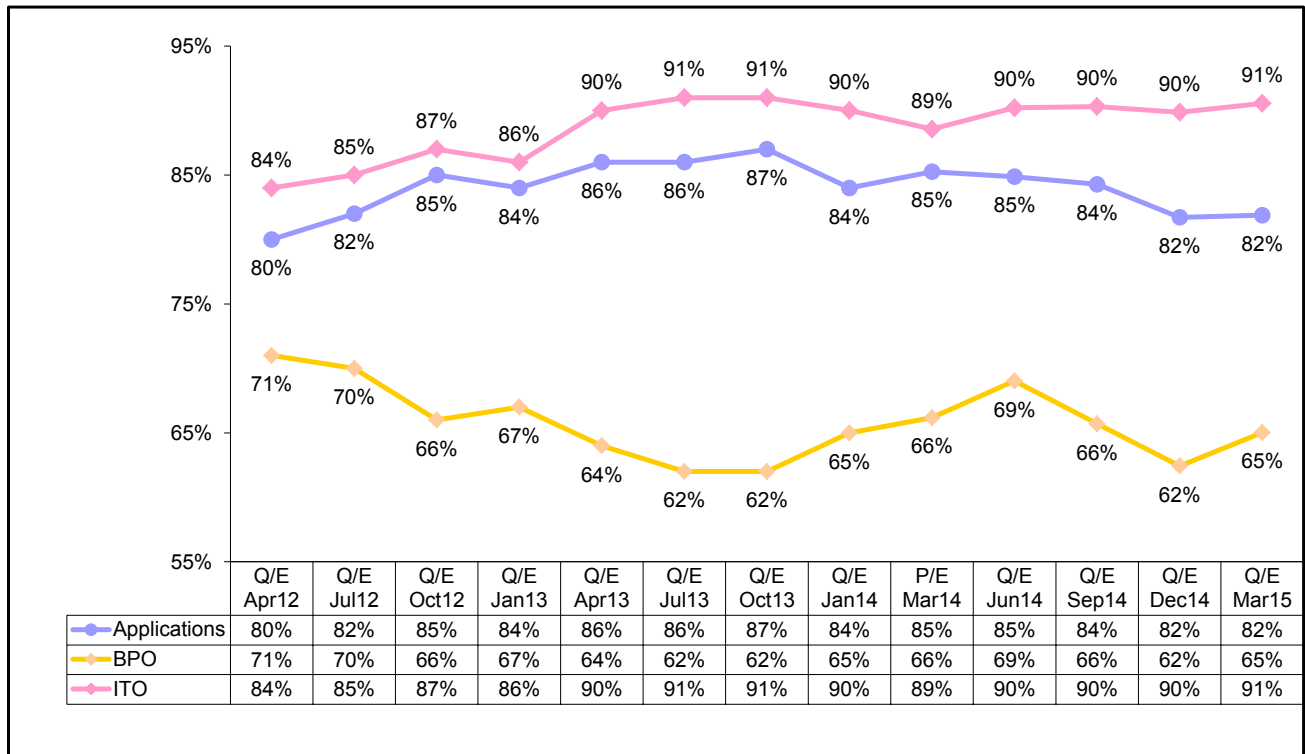
EBITDA



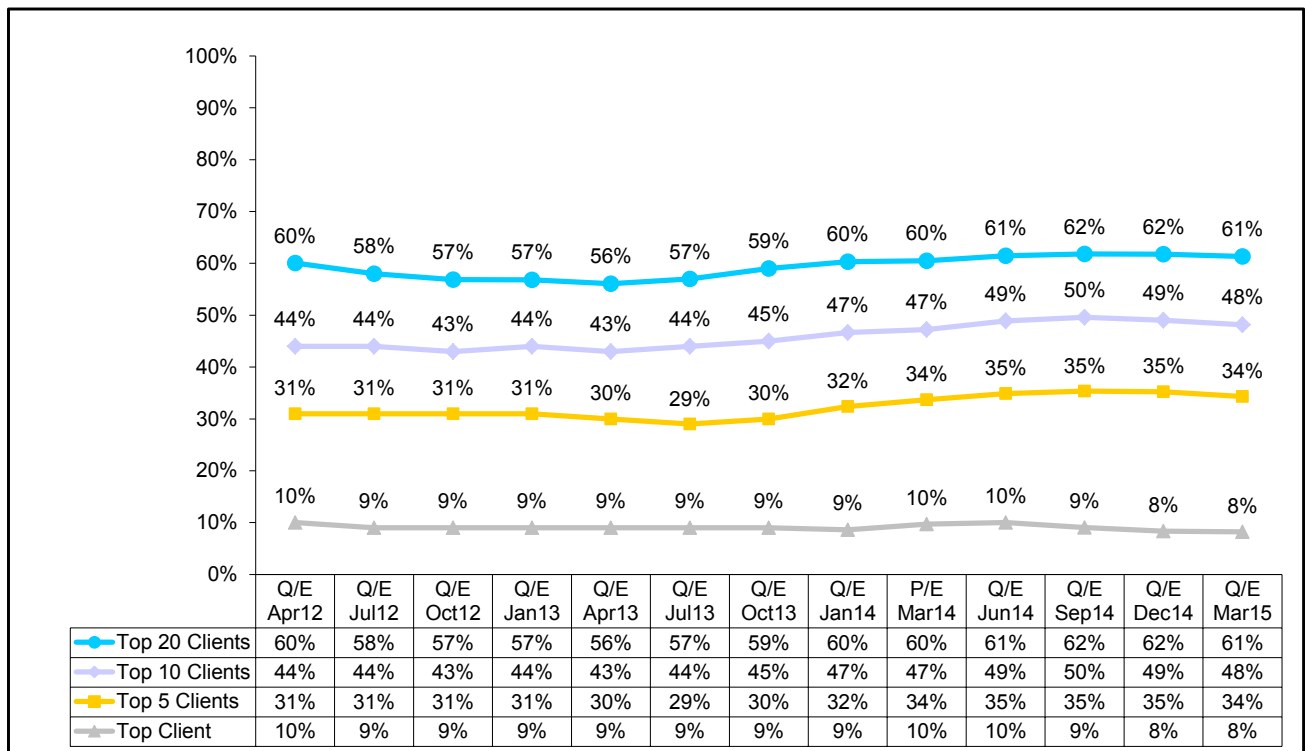
Net Margins



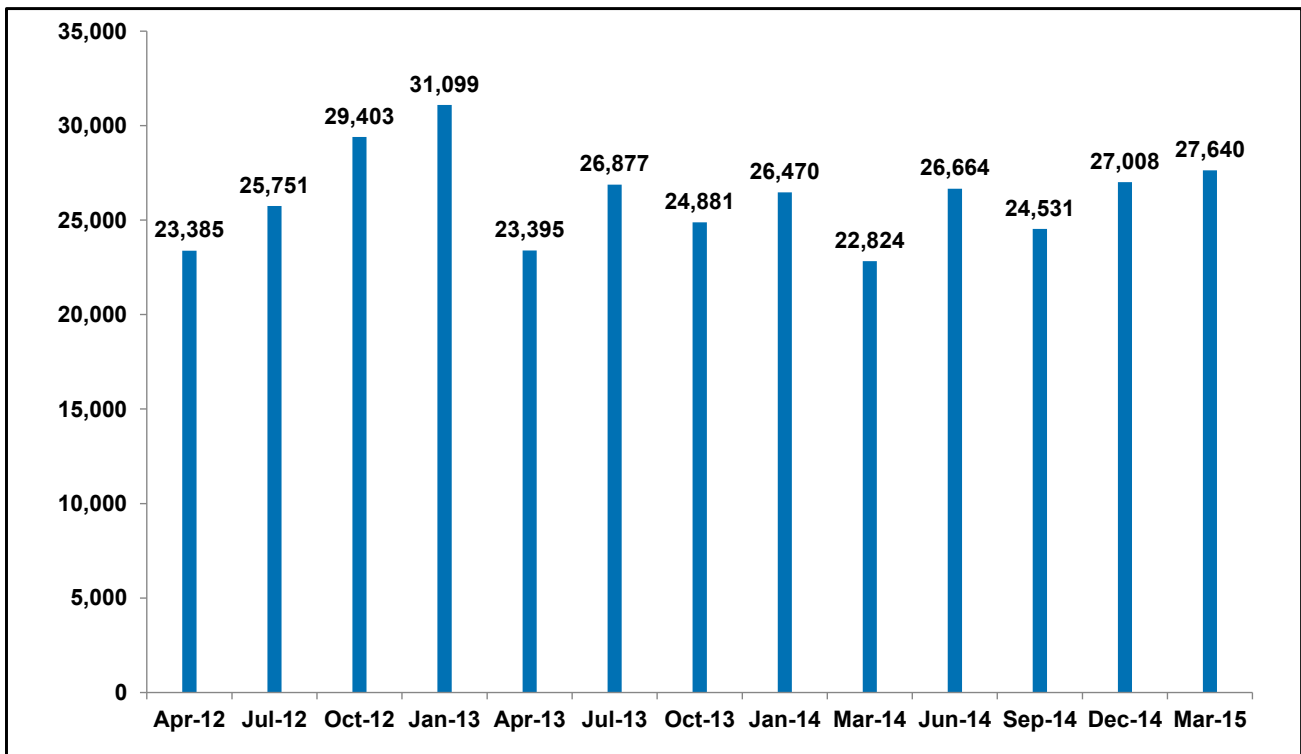
Utilization



Group Client Concentration



Cash and Cash equivalents - ₹ Millions



Debtor Days

