Group Financial Overview and Trends for the Quarter ending 31 Dec 2023

Overview of Quarterly Results

Safe Harbor:

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Mphasis will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

1. Key Highlights

- Gross Revenue grew 1.6% QoQ and declined 5.2% YoY in Q3 FY24 on reported basis and grew 1.0% QoQ and declined 6.8% YoY in Constant Currency. FYTD revenue declined 5.1% YoY on reported basis and 8.4% in Constant Currency.
- Direct revenue grew 2.0% QoQ and declined 3.3% YoY on a reported basis in Q3 FY24 and grew 1.3% QoQ and declined 5.0% YoY in Constant Currency. FYTD revenue declined 3.6% YoY on reported basis and 7.1% in Constant Currency.
- New TCV wins of USD 241 million in Q3 FY24 in Direct. FYTD TCV wins of USD 1203 million.
- Reported operating margin at 14.9%, including Silverline acquisition impact of 1.1%.
- Reported Net profit margin at 11.2% at ₹ 3,736 million in Q3 FY24.
- Reported EPS at ₹19.8.

2. Revenue

a. Overall

- Gross Revenue grew 1.6% QoQ and declined 5.2% YoY in Q3 FY24 on reported basis and grew 1.0% QoQ and declined 6.8% YoY in Constant Currency.

b. Direct

- Direct revenue grew 2.0% QoQ and declined 3.3% YoY on a reported basis in Q3 FY24 and grew 1.3% QoQ and declined 5.0% YoY in Constant Currency.
- Won new deals with TCV of USD 241 million in Q3 FY24 with 85% of the deal wins in New-Gen Services.

3. Financial indicators

a. Revenues

- Net Revenue grew 1.9% QoQ and declined 4.8% YoY in Q3 FY24 to ₹ 33,380 million in reported terms. Net Revenue grew 1.2% QoQ and declined 6.4% YoY in Constant Currency.

b. **Gross Profit**

- Gross profit grew 10.2% QoQ and 3.3% YoY to ₹ 9,675 million in Q3 FY24. Gross margin grew 220 bps QoQ and 230 bps YoY to 29.0% in Q3 FY24.

c. **Operating Profit (EBIT)**

- Reported operating margin at 14.9%, including Silverline impact of 1.1%
- Operating Margin declined 60 bps QoQ and 40 bps YoY to 14.9% in Q3 FY24.
- Operating profit declined 1.9% QoQ and declined 7.1% YoY to ₹ 4,972 million in Q3 FY24.

d. **Net Profit**

- Reported Net profit at 11.2% at ₹ 3,736 million in Q3 FY24.

e. **Earnings per Share**

- Reported EPS at ₹19.8

4. **Cash Management**

- Cash and cash equivalents increased by ₹4,416 million during the quarter to ₹ 34,476 million (USD 414 M). Adjusting for loan drawdown and acquisition payments, net operating cash generated during the quarter was ₹ 5,213 million (USD 63M).
- Net operating cash generated during the quarter was at 140% of net income.

5. **Deal Wins**

- A leading American telecommunications major has engaged Mphasis to lead its vendor consolidation and partnership strategy across enterprise technology solutions, digital and cyber security.
- A leading American financial services company has chosen Mphasis to help engineer, enable and leverage cloud.
- A leading American financial services company is engaging Mphasis as part of a multi-year deal to lead centralized production support services. Mphasis' capabilities around AI -led transformation were key in securing this win.

Consolidated Profit and Loss Account

₹ Million

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	QoQ Growth %	Quarter ended 31 Dec 2022	YoY Growth %
Gross Revenues	**33,507**	**32,964**	**1.6%**	**35,356**	**-5.2%**
Profit / (loss) on cash flow hedges reclassified to revenue	(127)	(199)		(294)	
Net Revenues	**33,380**	**32,765**	**1.9%**	**35,062**	**-4.8%**
Cost of revenues	23,705	23,984	-1.2%	25,697	-7.8%
Manpower and Other Cost	22,937	23,311	-1.6%	25,086	-8.6%
Depreciation and Amortization	768	673	14.1%	611	25.7%
Gross profit	**9,675**	**8,781**	**10.2%**	**9,365**	**3.3%**
GM%	**29.0%**	**26.8%**	**2.2%**	**26.7%**	**2.3%**
Selling expenses	2,464	2,000	23.2%	2,191	12.5%
Manpower and Other Cost	2,432	1,968	23.6%	2,167	12.2%
Depreciation and Amortization	32	32	0.0%	24	33.3%
SE %	7.4%	6.1%	1.3%	6.2%	1.2%
General and administrative expenses	2,239	1,714	30.6%	1,820	23.0%
Manpower and Other Cost	2,004	1,530	31.0%	1,634	22.6%
Depreciation and Amortization	235	184	27.7%	186	26.3%
G&A %	6.7%	5.2%	1.5%	5.2%	1.5%
Operating profit	**4,972**	**5,067**	**-1.9%**	**5,354**	**-7.1%**
Operating Margin *	**14.9%**	**15.5%**	**-0.6%**	**15.3%**	**-0.4%**
Foreign exchange gain, net	28	47	-40.6%	127	-78.0%
Other income, net	514	443	16.1%	273	88.4%
Interest expenses	(528)	(340)		(244)	
Profit before taxation	**4,986**	**5,217**	**-4.4%**	**5,510**	**-9.5%**
Income taxes	**1,250**	**1,297**	**-3.6%**	**1,387**	**-9.9%**
-Current	1,516	1,393		1,284	
-Deferred	(266)	(95)		103	
Net profit	**3,736**	**3,919**	**-4.7%**	**4,123**	**-9.4%**
Earning per share (par value ₹10)	**19.8**	**20.8**	**-4.7%**	**21.9**	**-9.6%**

*Reported operating margin at 14.9%, including Silverline acquisition impact of 1.1%

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

Key Performance Indicators

		Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
PROFIT AND LOSS ACCOUNT				
Gross Revenue ($ Mn)		402.3	398.4	429.4
Gross margin	%	29.0%	26.8%	26.7%
Selling expenses	%	7.4%	6.1%	6.2%
General and administrative expenses	%	6.7%	5.2%	5.2%
Operating margin	%	14.9%	15.5%	15.3%
EBITDA margin	%	18.0%	18.2%	17.6%
PBT margin	%	14.9%	15.9%	15.7%
PAT margin	%	11.2%	12.0%	11.8%
Effective tax rate	%	25.1%	24.9%	25.2%
EPS (Basic)	₹	19.8	20.8	21.9

Exchange Rates

₹ /$

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Period Closing Rate	83.21	83.05	82.73
Average Exchange Rate	83.29	82.73	82.33

Consolidated Balance sheet

₹ Million

	31 Dec 2023	30 Sep 2023	30 Dec 2022
ASSETS			
Non Current Assets			
PPE & Intangibles	7,023	4,835	3,678
Capital work in progress	444	376	359
Right-of-use assets	7,724	8,100	7,766
Goodwill	41,709	33,975	29,756
Investments	5,297	4,680	4,228
Debtors	2,613	2,427	1,311
Deferred Tax Assets	2,879	2,628	2,828
Others Assets	8,052	8,213	7,593
Total Non Current Assets	**75,741**	**65,234**	**57,519**
Current Assets			
Debtors	25,347	23,836	25,393
Investments	19,226	14,808	13,104
Cash and bank balances	9,928	10,547	7,811
Other Assets	8,272	8,655	10,529
Total Current Assets	**62,773**	**57,846**	**56,837**
Total Assets	**138,514**	**123,080**	**114,356**
Liabilities and Shareholder's Equity			
Total Share Holder's Equity	81,045	76,605	72,796
Employee stock options outstanding	2,414	2,498	1,803
Total Equity	**83,459**	**79,103**	**74,599**
Non Current Liabilities			
Lease liabilities	7,173	7,532	7,127
Deferred Tax Liabilities	1,083	1,047	891
Other Non Current Liabilities	3,693	4,144	3,534
Total Non Current Liabilities	**11,949**	**12,723**	**11,552**
Current Liablities			
Borrowings	15,409	6,597	1,159
Lease liabilities	1,695	1,674	1,698
Trade Payables	8,191	8,180	10,034
Other Liabilities	17,811	14,803	15,314
Total current liabilities	**43,106**	**31,254**	**28,205**
TOTAL EQUITY AND LIABILITIES	**138,514**	**123,080**	**114,356**

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

Key Performance Indicators

		Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
BALANCE SHEET				
Cash & cash equivalents	₹ Million	34,476	30,060	25,167
Receivables	Days	69	70	68

Cash and bank balance and Investment of cash surplus

Cash and cash equivalents consist 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 ₹ 25 million (Q2 FY24 - ₹ 25 million, Q3 FY23 - ₹ 39 million).

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

Primary Segment Information

₹ Million

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	QoQ Growth %	Quarter ended 31 Dec 2022	YoY Growth %
Segment Revenue					
Banking and Financial Services	15,684	15,542	0.9%	18,699	-16.1%
Insurance	3,813	3,544	7.6%	3,639	4.8%
Technology Media and Telecom	5,219	5,703	-8.5%	4,933	5.8%
Logistics & Transportation	4,581	4,407	4.0%	4,680	-2.1%
Others	4,209	3,768	11.7%	3,405	23.6%
Total Revenues	**33,507**	**32,964**	**1.6%**	**35,356**	**-5.2%**
Segment Profit					
Banking and Financial Services	4,361	3,458	26.1%	4,885	-10.7%
Insurance	1,298	692	87.6%	1,047	24.0%
Technology Media and Telecom	1,195	2,226	-46.3%	1,071	11.6%
Logistics & Transportation	1,535	1,269	21.0%	1,450	5.9%
Others	1,412	1,334	5.8%	1,207	17.0%
Total Segment Profit	**9,802**	**8,979**	**9.2%**	**9,660**	**1.5%**
Gross Margin %					
Banking and Financial Services	27.8%	22.2%	5.6%	26.1%	1.7%
Insurance	34.1%	19.5%	14.6%	28.8%	5.3%
Technology Media and Telecom	22.9%	39.0%	-16.1%	21.7%	1.2%
Logistics & Transportation	33.5%	28.8%	4.7%	31.0%	2.5%
Others	33.5%	35.4%	-1.9%	35.4%	-1.9%
Total	**29.3%**	**27.2%**	**2.1%**	**27.3%**	**2.0%**

Notes:

Segment results exclude Profit / (loss) on cash flow hedges reclassified to revenue.

'Others' segment includes Healthcare, Manufacturing & Retail etc.

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

Analysis of Revenues

Revenues reported in the tables below exclude Profit / (loss) on cash flow hedges reclassified to revenue

(a) By Delivery Location*

₹ Million

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Onsite	17,824 53.2%	17,171 52.1%	19,505 55.2%
Offshore	15,683 46.8%	15,793 47.9%	15,851 44.8%
Total	**33,507**	**32,964**	**35,356**

(b) By Project Type*

₹ Million

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Time and Material	19,537 58.3%	19,277 58.5%	20,066 56.8%
Transaction Based*	3,378 10.1%	3,401 10.3%	4,500 12.7%
Fixed Price	10,592 31.6%	10,286 31.2%	10,790 30.5%
Total	**33,507**	**32,964**	**35,356**

*Transaction based revenue comprises of projects where the commercials are based on unit of Output

(c) By Secondary Market Segment*

₹ Million

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Direct	31,975 95.4%	31,350 95.1%	33,081 93.6%
DXC	968 2.9%	1,070 3.2%	1,684 4.8%
Others	564 1.7%	544 1.7%	591 1.7%
Total	**33,507**	**32,964**	**35,356**

(d) By Geography*

₹ Million

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
AMERICAS	26,876	26,109	28,924
	80.2%	79.2%	81.8%
EMEA	3,878	3,944	3,573
	11.6%	12.0%	10.1%
INDIA	1,853	1,969	1,798
	5.5%	6.0%	5.1%
ROW	900	942	1,061
	2.7%	2.9%	3.0%
Total	**33,507**	**32,964**	**35,356**

(e) By Service Type*

₹ Million

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Application Services	23,688	23,226	24,552
	70.7%	70.5%	69.4%
Business Process Services	5,561	5,556	6,338
	16.6%	16.9%	17.9%
Infrastructure Services	4,258	4,181	4,466
	12.7%	12.7%	12.6%
Total	**33,507**	**32,964**	**35,356**

* Revenues for the Quarter ended 31 Dec 2023 include full quarter revenues of Silverline acquisition

(f) Client Metrics

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Revenues from Top Client	15%	16%	16%
Revenues from Top 5 Clients	46%	47%	49%
Revenues from Top 10 Clients	55%	58%	61%
Clients Contributing :			
$ 200 million Revenues	1	1	1
$ 150 million Revenues	3	3	3
$ 100 million Revenues	3	3	4
$ 75 million Revenues	4	4	6
$ 50 million Revenues	5	6	6
$ 20 million Revenues	10	11	12
$ 10 million Revenues	29	26	22
$ 5 million Revenues	46	46	45
$ 1 million Revenues	134	115	106
New client wins	5*	5*	4

*Does not include clients added through acquisition

Notes:

1. Client Concentration is based on Trailing Twelve Months (TTM).
2. Client metrics exclude DXC
3. Client contribution for Quarter ended 31 Dec 2023 includes 18 clients from Silverline acquisition as well

Tower Information

(a) Headcount

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Onsite - billable			
- Technology Services*	4,664	4,504	4,806
- BPO Services	1,338	1,319	1,828
Offshore - billable			
- Technology Services	15,393	15,425	17,454
- BPO Services	6,733	6,418	6,176
Total billable headcount	**28,127**	**27,665**	**30,264**
Total headcount**	**33,992**	**33,771**	**35,450**

*Technology Services include Application & Infrastructure Services

**Includes billable contractors, sales and marketing and general and administration employees

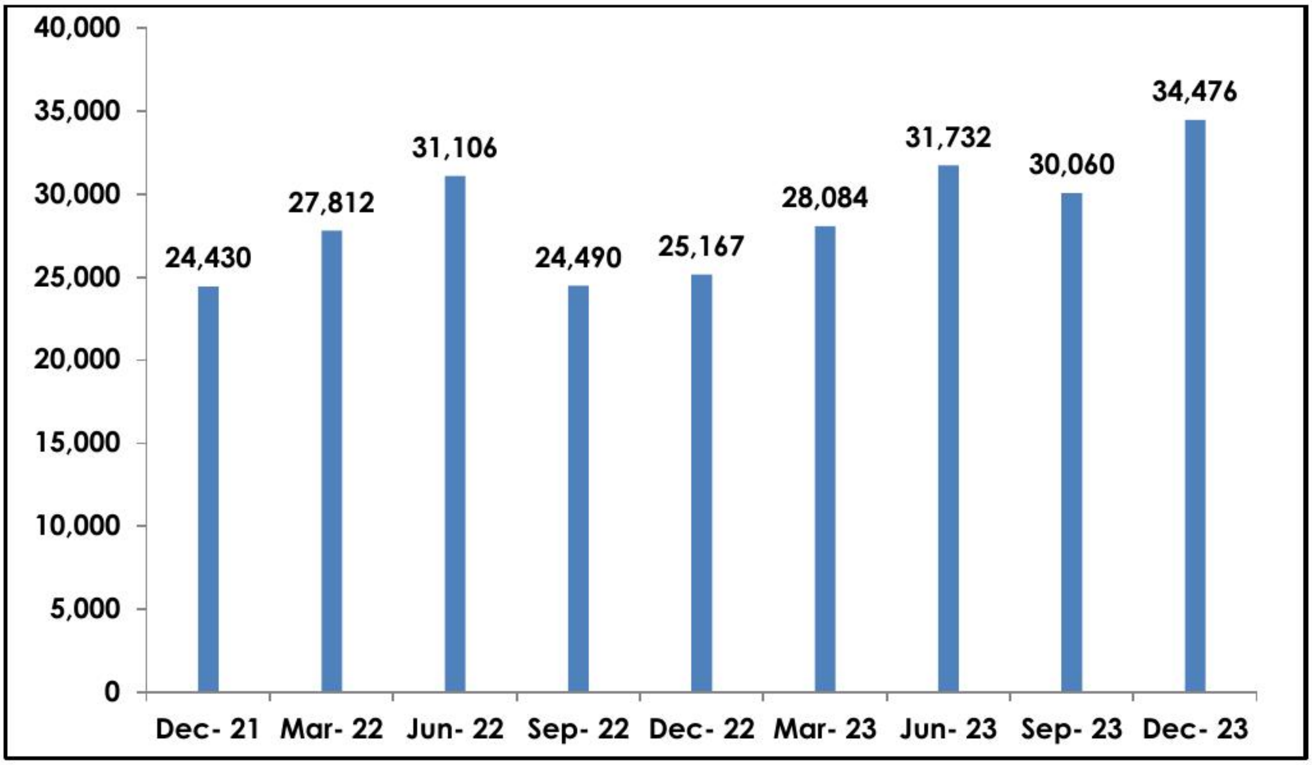
(b) Utilization Rates *

	Quarter ended 31 Dec 2023	Quarter ended 30 Sep 2023	Quarter ended 31 Dec 2022
Including Trainees			
Onsite	84%	87%	87%
Offshore	69%	72%	70%
Excluding Trainees			
Offshore	74%	77%	74%

* Utilization data for Technology services business

Trends

Cash and cash equivalents - ₹ million



Receivables Days