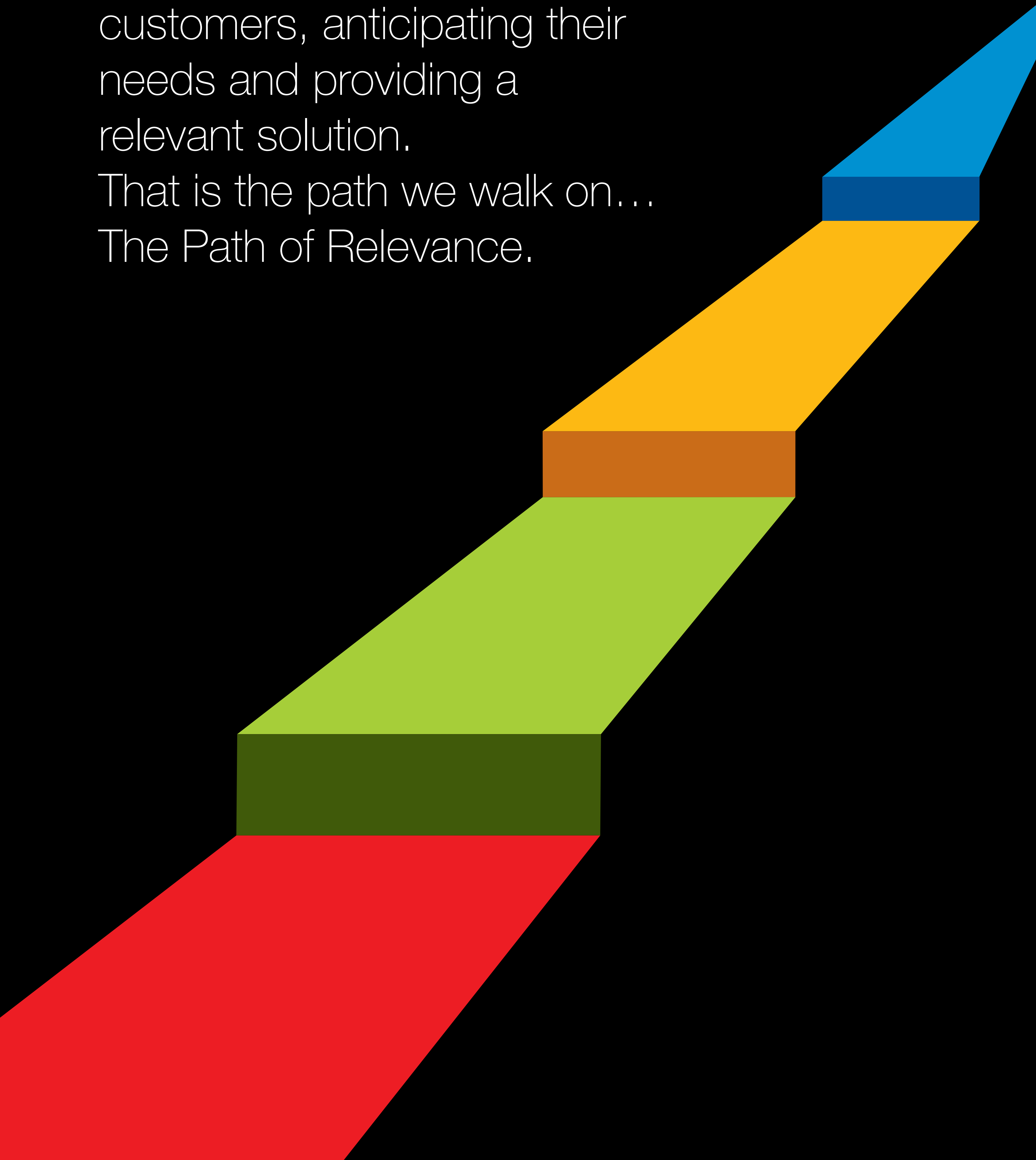
MPHASIS
an HP company

MPHASIS ON THE PATH OF RELEVANCE

ANNUAL REPORT 2013

It is all about understanding customers, anticipating their needs and providing a relevant solution.
That is the path we walk on…
The Path of Relevance.



MPHASIS ON
THE PATH OF RELEVANCE

In a constantly changing business environment, the ability to modify and implement new strategies quickly has become a necessity. Businesses have to constantly focus on those changes that represent potential opportunities. It is the degree of relevance that tilts the scale.

This paradigm is about understanding the essence and mind of the customers, anticipating their needs and providing relevant solutions. That is the path we walk on – **The Path of Relevance.**

At MphasiS, we believe success and satisfaction do not come from spreading our net far and wide. Instead, we focus on select customers on our chosen path. Concentrating on specific clients, we offer hyper-specialised services to cater to their individual requirements.

As a world-class service and solution provider our emphasis is on building chosen solution segments. The combination of operational excellence and symbiotic customer partnerships, positions MphasiS as the best-in-class 'domain expert'. The recent strategic realignment sharpened our focus on key industries that are aligned with our core expertise.

In today's world, it is all about collaboration, interconnectivity and mobility. In this context, customers seek seamless, on-demand solutions and are reluctant to invest in huge overheads, capital outlay and complexity. The need of the hour for service providers is to truly understand their current needs and anticipate their future path. While 'Service-as-a-Service' has been gaining adoption, much of the business world is still stuck in the old service model.

MphasiS is leading the dialogue to help, both service providers and customers define a new approach to business in today's asymmetrical world.

Our specialised Go-to-Market model includes Platform-based BPO, Analytics, Big Data, Mobility, Testing, Enterprise Resource Planning and Knowledge Management. With next-generation lean global delivery models, we focus on automation and innovation. To meet varying customer requirements, we offer an optimum mix of traditional and emerging technology solutions and services – The Best of Both Worlds.

CONTENTS

Dear Shareholder,

The world of MphasiS is a thrilling arena as we continue to transform and evolve, staying focussed and relevant to all our stakeholders.

In the past three years, I have been communicating to you about our journey towards 'Hyper-specialisation' and growing the Direct Business. We have worked relentlessly towards this strategy… Our revenue growth from the Direct Business is a testimony of a successful trend.

Our Direct Business:

- Which comprised of 46% of our total revenue in FY 2012 is now 60%
- Has grown 133% since FY 2010
- Mature markets business has grown 162% since FY 2010 and 62% in FY 2013 alone

When I look back at Q4 FY 2013, I see multiple positives:

- Our customer intensity has gone up: Eleven out of the top twelve accounts have shown QoQ growth
- Our large deals initiative gaining momentum: Resulted in a win of $115 million TCV
- Our portfolio specialisation is bringing vibrant value proposition to customers: MOATIS has won a significant deal

As our marketplace and organisation is confronting a time of many changes, we are meeting newer opportunities and winning avenues. Our successful track record of steering your company to the Billion Dollar revenue mark means nothing in the context of future. We have to constantly redefine the paradigm and collaborate with all our stakeholders – to pave the path for a successful future.

The Time is Right and the Time is Now to lift the game for MphasiS. I look forward to your sustained partnership in enabling our transformation and I am excited about the journey ahead and the potential the marketplace holds.

We will stay focussed with greater level of specialisation, automation and innovation thereby generating greater value to our customers resulting in greater value to you.

Regards,

Ganesh

Ganesh Ayyar
CEO

MPHASIS ON
THE BEST OF BOTH WORLDS

In an era of volatile enterprises, the traditional source of value is becoming less relevant for conventional offshore players and emerging new generation players.

The world has witnessed an explosion of data (Big Data) that not only presents an enormous challenge, but an incredible business opportunity as well. Increased regulatory and compliance control requires businesses to be accountable not only for their actions, but also to third-party vendors.

MphasiS has straddled the old and the new world by the combined power of business processes, knowledge systems and applications along with domain specialisation. There is an obvious imperative for organisations to move from 'Generalisation' to 'Hyper-specialisation' through meticulously chosen partnerships and best-in-class processes and tools.

Due to an increasing number of emerging IT companies with smarter and faster business processes, existing players need to adapt, react and respond quickly to the socio-economic changes in order to become market leaders.

Our key to transformation is an innate ability to successfully blend old and new world practices. With domain expertise, best-in-class services, cost-effective solutions and immense focus on Hyper-specialisation, MphasiS is all set to make a world of difference.

MPHASIS ON TARGETED OFFERINGS

Our Hyper-specialised solutions give us the relevant edge. Leveraging our focus on vertical expertise, we have created several niche innovative solutions that have helped transform our customers' businesses.

MphasiS Upgrade Solution and Transformation Services (MUSTS)

MUSTS, is a proprietary solution that yields measurable, rapid and cost-effective Assessment and Upgrade services for Oracle EBS and PeopleSoft. This solution helps organisations significantly optimise the cycle time for upgrade and leverage MphasiS enablers and best practices to unwrap opportunities for business growth.

Semantic Modelling

Semantic Modelling adapted by MphasiS is a knowledge-driven technology that helps in linking data to the real world, making application data computer intelligible and improving data governance. This helps customers to increase cross-sell and up-sell. They can take timely control over regulatory and operational risks.

Customer Experience Management (CEM)

CEM is built from MphasiS' rich contact centre capabilities, business process outsourcing services and technology integration and management services. With our solution we help maximise business opportunities and enhance customer experience to improve business outcomes.

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an HP company

Intelligent Virtual Agents (IVA)

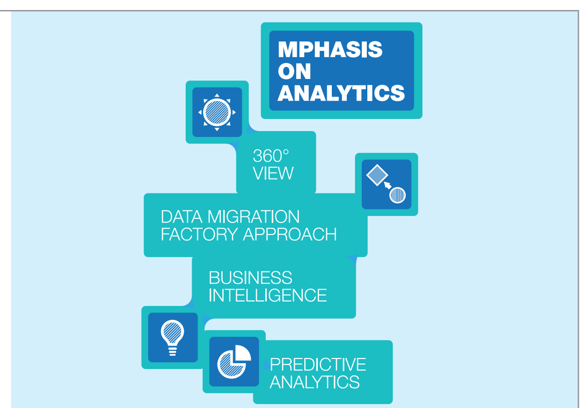
IVA are interactive characters which are capable of enhancing customer experience and the overall net promoter score. These virtual agents exhibit human-like qualities and are capable of real-time responses which allows them to participate in the social dynamic world.

Testing-as-a-Service (TaaS)

TaaS helps customers achieve business outcomes through MphasiS' leadership in Testing Services. With a risk-based testing approach we focus on high-risk, high-value business requirements that helps maximise returns.

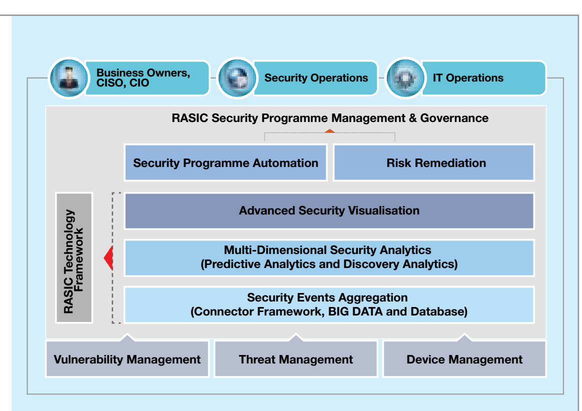
Information Convergence and Analytics (IC&A)

IC&A is a unique platform from MphasiS that combines the power of 'enterprise search' with 'agile next-gen analytics' tools. This provides easy-to-use analytics applications and business user-friendly dynamic self-service dashboards.



Risk Analytics and Security Intelligence Centre (RASIC)

RASIC offers advanced security data aggregation, analytics and automation platform. This MphasiS solution makes way for a comprehensive risk analysis that facilitates decision making by actionable security intelligence.

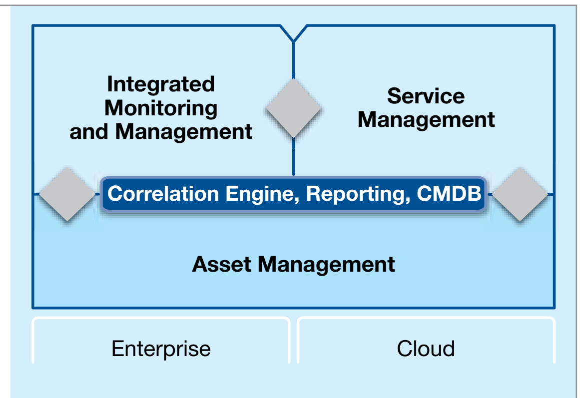


AccelOn

AccelOn with best-in-class features is an MphasiS proprietary client on-boarding platform for accelerated on-boarding of banks and financial institutions. Backed by our rich domain experience we develop client on-boarding solutions for various LOBs for some of the largest global financial institutions.

MOATIS

MOATIS is MphasiS' business transaction monitoring and management platform. It enables integrated monitoring of the IT stack and applications through infrastructure. Data analytics and correlation engine enables quicker problem resolution. MOATIS is operational in leading organisations, globally.



Digital Risk – Making Mortgages Safe™

Digital Risk combines a loan level understanding of the mortgage market with extensive and unique modelling capabilities. Our powerful combination of advanced predictive analytics and forensic loan reviews enables our clients to make informed decisions under time-critical conditions.

MphasiS Payments Managed Services (MPMS)

MPMS is the largest, leanest ATM deployment structure in the country, facilitating 500,000 transactions and enabling 30 ATMs go-live every day. Driven by technology, innovation and passion that help manage 100 sub-processes, 65+ vendors interconnected in real-time. MPMS is the fastest ATM deployer in the country for 26 banks (5000 ATMs deployed in 11 months).

MPHASIS ON
TALENT AS A DIFFERENTIATOR

At MphasiS we believe in the power of mentoring and grooming the right talent.

Over the past year, learning has been focussed on the categories of Mandatory Learning, Role-Relevant Competency-Based Learning and Project-Specific Learning. There has been an increased emphasis on Individual Development Plans (IDP) as well.

One of the key organisational differentiators in 2013 has been the launch of an Integrated Leadership Development (ILD) programme which merged leadership development and talent management. Leadership Programmes such as FLP (Future Leaders Programme) and Aarambh have been institutionalised to build leadership at different levels in the organisation.

On our journey to be a people–processes organisation, we have received a PCMM Level 3 certification, in April 2013. This signifies that we have competency-based workforce practices.

The Global Learning Team at MphasiS was also awarded Best-in-Class Learning and Development Awards by the World HRD Congress under two categories: Best eLearning Adopter and Best Frontline Manager Training.

Learning has always been vital to the health of an organisation. Considering this fact, our Technical and Domain Learning Team developed training programmes through various training modules. The Technical Learning Team introduced Blended Learning methodology, combining traditional instructor-led training with self-paced learning.

To build domain competence, domain training was offered to Insurance and BCM verticals which covered 74% of the target population.

The launch of BCM eLearning portal through KESDEE (Knowledge Economy Skill Development E-Learning Excellence) had a fantastic reach to about 65% of the target group. Training was also imparted to prepare employees to take globally recognised certifications like ‘INS21, INS22, INS23 and LOMA’.

MPHASIS ON **SHARING**

MphasiS believes in holistic development with a sustainable approach towards business. Armed with this, we endeavour to improve the social development of communities around us. Our focus on the 3Es: Education, Employability and Entrepreneurship includes youth, women, children and people with special needs. We provide quality education to underprivileged children and help enhance their overall personality. We contribute towards improving the standard of living of children and their communities by giving them the power of sustainability and growth.

We empower people with skills and provide employment opportunities in different sectors. As a part of Entrepreneurship Development we train young entrepreneurs in setting up and running enterprises. Creating institutions that help sustain their families is another area of focus.

Our employee volunteers are one of the most important pillars of MphasiS. Proactive support and contribution of our employees help us remain focussed in our endeavour. MphasiS collaborates with NGOs by encouraging their awareness and fund-raising efforts through a Payroll Giving Programme. Our employees proactively support and contribute to social causes by donating their time, money, skills and creative ideas.

Being an equal opportunity employer we encourage the employment of otherwise abled individuals. We continue to nurture this talent pool in the MphasiS family.

Over the years, MphasiS has been supporting various community activities and has actively participated in community development in India and overseas. In order to spread awareness on Universal Design and to popularise this concept, NCPEDP, in association with AccessAbility and BarrierBreak, and with the support of MphasiS, established The NCPEDP – MphasiS Universal Design Awards in 2010. These awards are given to those who have contributed towards social causes, ensuring a life of equality and dignity for people who need it the most.

FOUNDATION

- Launched ‘KickStart’ Cabs – a social enterprise aimed at providing transportation solutions for senior citizens and people with special needs
- Bagged ‘Disability Matters Asia Pacific Award 2013’ in the Marketplace Category
- Won Amity Exemplary Contribution in the field of CSR 2013
- Employee Ashwin Karthik was awarded the National Award for positive role models for the disabled people
- Employee Bhavanishankar Ravindra was awarded the 15th NCPEDP-Shell Helen Keller Award

Project KickStart

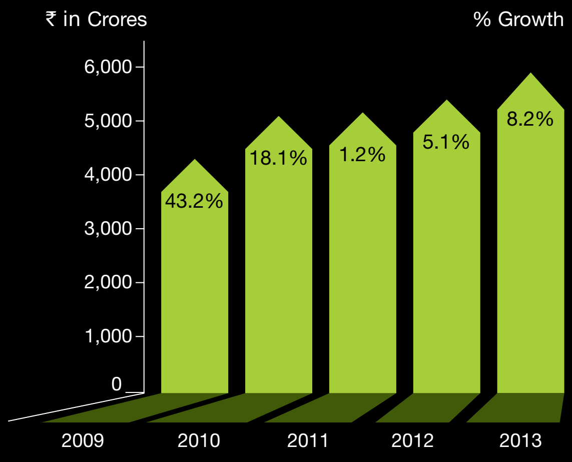
In collaboration with 'Wheels of Change', MphasiS announced the launch of 'KickStart – a cab service', an initiative that aims to provide easy accessibility for senior citizens and for people with special needs. This social enterprise, launched to commemorate World Disability Day, is a step towards making Bangalore a transportation friendly city for people who are in need of extra care and attention. 'KickStart' intends to demonstrate good practices in providing accessible transportation and has set up a cab service for the differently-abled people of our society.

"KickStart is a much required service that provides freedom, mobility and dignity for those who may need support." says Mr. Ganesh Ayyar, Chief Executive Officer, MphasiS.

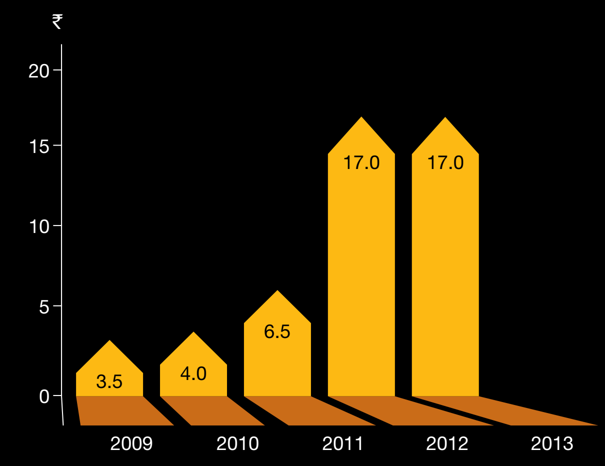
KickStart 8105600445 www.kickstartcabs.com info@kickstartcabs.com

MPHASIS ON **FINANCIALS**

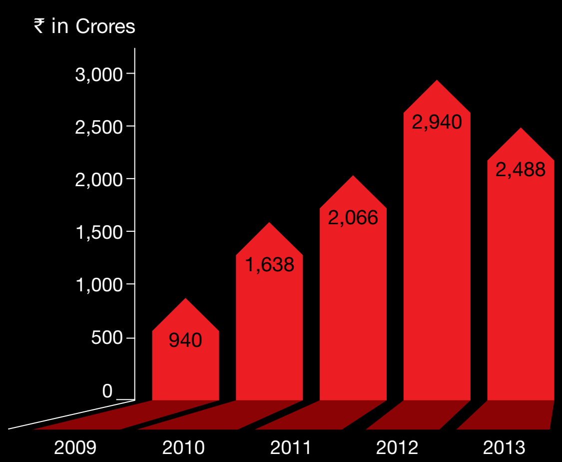
5-year trend: **Revenue**



5-year trend: **Dividend Per Share**

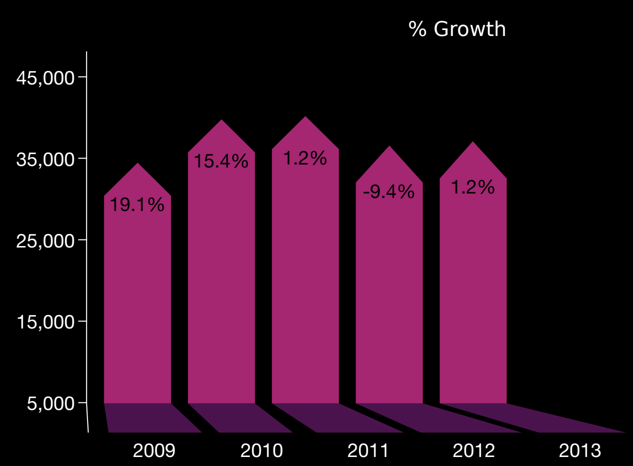


5-year trend: **Cash & Cash Equivalents**



Note: Includes both current and non-current fixed deposits.

5-year trend: **Head Count**



Note: Includes billable contractors. Previous years' data has been restated for proper comparison.

Board of Directors

Dr. Friedrich Froeschl
Chairman

Mr. Balu Ganesh Ayyar
Chief Executive Officer

Mr. Davinder Singh Brar

Mr. V Ravichandran

Mr. Chandrakant D Patel

Mr. Narayanan Kumar

Mr. James Mark Merritt

Mr. Lakshmikanth K Ananth

Mr. Shankar Maitra

Senior Vice President, Company Secretary, General Counsel & Ethics Officer

Mr. A Sivaram Nair

AUDITORS

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12th and 13th Floor
24, Vittal Mallya Road
Bengaluru - 560 001, India

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Doddanakhundi Village,
Mahadevapura,
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REGISTRAR & SHARE TRANSFER AGENT

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Ph: +91 80 2346 0815-818
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Management Discussion and Analysis of Risks and Concerns

The complexity and competitive nature of the IT industry has brought diverse risks and opportunities to businesses. As well managed risks become opportunities, your Company has instituted an Enterprise Risk Management (ERM) program to proactively identify, mitigate, monitor and report risks across the enterprise. Broadly risks are managed under the following categories:

i) Strategy - These have the potential to impact the entity's mission which arises out of strategic decisions and its long term marketing, resource allocation, delivery models and other activities. These risks are generally non-routine in nature;

ii) Operational - These have the potential to impact the efficiency and effectiveness of the operations;

iii) Information - These have the potential to impact information assets and information processing systems;

iv) Financial & Reporting - These have the potential to impact the statutory financial statements and transmission of timely and accurate information to stakeholders;

v) Compliance - These have potential to impact the level of adherence to laws and regulations.

The Risk Governance Committee chaired by the CEO provides the required oversight for the ERM program and it tracks the progress on various identified risks and mitigation efforts. The status of the risks faced by the enterprise is presented to the Board on a quarterly basis. Some of the important risks/concerns and mitigation plans are as follows:

Strategy Risks

Customer/Partner concentration risk

This risk arises when high percentage of revenue is received from very few clients/partners. HP Channel business which stood at 57% of the total revenue last year was identified as one of important partner concentration risks. Your Group implemented the 'Go To Market' strategy and focused in getting direct channel business. This has reduced your company's exposure significantly. The direct channel business which was at 43% last year stands at 56% of the total revenue, thus directionally the risk is getting mitigated.

The Group's intent is to further expand its direct business while continuing to explore partnership opportunities with HP.

Risk of changing Business Model

The Group's ability to remain competitive depends on the ability to adapt to changing models of business delivery. Over the last 12 months the Group has focused to grow customer preferred delivery models such as Transaction based and Fixed price models over the traditional Time and Material model.

Operational Risks

Lack of holistic due diligence of SLA terms and conditions

New business models, new service offerings and growing volume of operations, have brought risks related to delivery and adherence of SLA terms and conditions. The Group with its years of experience and complemented by our partnership with HP has implemented a framework to enhance the review and control mechanisms to ensure contractual terms are captured and complied with.

A Solution Risk Review team has been formed to undertake a review of all new deals. This team of experts approves SLA terms and conditions and ensures unlimited liability clauses or penalty clauses with no cap are not accepted. Size variance from solution to execution stage is also closely monitored to mitigate the risk of resource estimation errors.

Risk of Loss of Talent

With economy on a watchful mode and uncertainty over market conditions, customer relationships and high quality service delivery have assumed even greater criticality to sustain performance. Human capital is the differentiator in achieving this. Your company has instituted continuously improving processes in Hiring, Employee Engagement, Key Talent management and Retention of critical employees to ensure the risk of red projects is well managed.

To manage this risk your Company is building out a strong employee value proposition. Your company is certified on PCMM (People Capability, Maturity Model) that has helped build robust people processes. As a result of these we expect to maintain an optimal mix of manpower in terms of experience, knowledge and skill sets to balance quality and cost. The Resource Management and Learning teams of your Company identify the competencies required to deliver services and train employees in bench with the required competencies leading to optimal utilization of manpower. We have increased our investment in Learning and Development and that has helped us continue to improve in this area.

Management Discussion and Analysis of Risks and Concerns

Your organization identifies risk profiles of employees to initiate various steps to curb attrition and manage potential market variables. Assessing risk by categorizing employees into Critical, High Risk and Low Risk profiles and providing mitigation plans like role / project change, onsite assignments, salary changes during increment cycles and promotions are some of the measures taken. Over and above this employee engagement, skill enhancement, building focus groups, internal job postings and recognition through various platforms are other retention initiatives taken by your organization.

Risk of Fraud

Instances of corporate fraud and misconduct remain a constant threat to public trust and confidence in the market. Your Company through various governance structures, internal audits and Whistle Blower mechanisms has built a strong framework to detect and mitigate fraud risk.

Information Risks

Continuity and Disaster Recovery Risk

Increased disruptions due to manmade and natural calamities are posing a risk to the enterprise Information Technology infrastructure. Recovery and availability of enterprise applications and infrastructure post any such disruption has become critical for uninterrupted service delivery. Your Company has identified critical enterprise applications for which Disaster Recovery plans have been formulated. Your Company is certified on ISO 22301 which is an international standard for Business Continuity Management System (BCMS) and provides reasonable assurance of continuity of service.

In the event of disruption of service due to any disaster in the primary site, the data from the backup is restored to the temporary scaled down hardware in the remote site and services are rendered from the DR site.

Data and Information Security Risk

With the advancement of technology and growing cyber threats the industry is exposed to different types of risks related to information assets and data breaches. To mitigate these risks your Company has implemented a robust IT Security framework and is also certified on ISO 27001. This is an international standard on Information Security Management System (ISMS). This certification provides reasonable assurance to all concerned stakeholders that data protection and information security measures have been adequately implemented.

Compliance risk

Non compliance with statutory requirements

With presence across multiple geographies, your Group is subjected to multitudes of constantly changing legislations. There is a risk of non compliance or delay in compliance with statutory requirements. The Group uses the services of professional consultants to ensure compliance with domestic and overseas laws and regulations. Your Company has also implemented tools and processes to ensure internal stakeholders of the Company are aware of statutory requirements and maintain required evidences to demonstrate that due care has been taken by your Company to ensure compliance.

Non Compliance with Immigration Laws

The Industry has seen increased scrutiny by various governments for non-compliance of Immigration laws. Your Company is equipped with the expertise to handle the complications of immigration laws and has processes to ensure compliance. In addition to a specialist internal team, your Company has enlisted external consultants, wherever necessary, to ensure proper compliance with these laws. Periodic immigration compliance reviews, training and awareness programs are facilitated on immigration requirements.

Independent Auditors' Report

To the Board of Directors of MphasiS Limited

We have audited the accompanying consolidated financial statements of MphasiS Limited ("the Company") and its subsidiaries (collectively referred to as"MphasiS Group"), which comprise the consolidated Balance Sheet as at 31 October 2013, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. 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. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at October 31, 2013;
(b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R.BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Adarsh Ranka
Partner
Membership Number: 209567

Place : Bengaluru
Date : 05 December 2013

Consolidated Balance Sheet as at 31 October 2013

(₹ millions)

	Notes	31 October 2013	31 October 2012
Equity and liabilities			
Shareholders' funds			
Share capital	3	2,101.34	2,101.14
Reserves and surplus	4	47,243.24	41,946.19
		49,344.58	**44,047.33**
Non-current liabilities			
Long-term borrowings	5	4,981.91	-
Deferred tax liabilities (net)	6	56.54	71.00
Trade payables	8	38.99	-
Other long-term liabilities	9	755.79	72.93
Long-term provisions	10	275.55	124.98
		6,108.78	**268.91**
Current liabilities			
Short-term borrowings	7	-	2,690.25
Trade payables	8	6,210.10	6,248.21
Other current liabilities	9	2,634.83	2,239.94
Short-term provisions	10	6,658.34	5,903.07
		15,503.27	**17,081.47**
TOTAL		**70,956.63**	**61,397.71**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	1,643.87	1,936.02
Intangible assets	11	478.10	424.24
Capital work-in-progress		0.69	0.02
Intangible assets under development		262.54	119.25
Goodwill on consolidation	12	22,498.70	9,612.47
Non-current investments	13	7,418.26	-
Deferred tax assets (net)	14	1,014.60	1,014.62
Long-term loans and advances	15	5,807.33	3,723.62
Trade receivables	18	408.82	-
Other non-current assets	16	158.12	172.16
		39,691.03	**17,002.40**
Current assets			
Current investments	17	11,576.48	25,192.30
Trade receivables	18	6,511.14	6,357.52
Cash and bank balances	19	5,799.19	4,124.40
Short-term loans and advances	15	1,517.92	2,735.21
Other current assets	16	5,860.87	5,985.88
		31,265.60	**44,395.31**
TOTAL		**70,956.63**	**61,397.71**
Summary of significant accounting policies.	1		

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary,
General Counsel & Ethics Officer

Bengaluru
05 December 2013

Consolidated statement of Profit and Loss for the year ended 31 October 2013

(₹ millions)

	Notes	Year ended 31 October 2013	Year ended 31 October 2012
Income			
Revenue from operations	20	57,962.97	53,573.32
Other income	21	1,404.76	1,680.24
Total revenue (I)		**59,367.73**	**55,253.56**
Expenses			
Purchase of traded goods	22	69.62	428.16
Employee benefits expense	23	35,568.36	31,274.40
Finance costs	24	330.42	146.52
Depreciation and amortization expense	11	1,448.29	1,743.72
Other expenses	25	11,999.25	11,381.46
Total expenses (II)		**49,415.94**	**44,974.26**
Profit before tax (I) - (II)		**9,951.79**	**10,279.30**
Tax expenses			
Current tax (refer note 39 and 40)		2,552.94	2,381.38
Deferred tax (credit)/ charge		(13.36)	1.66
Minimum alternative tax credit entitlement (for earlier years)		(25.76)	(26.90)
Total tax expense		**2,513.82**	**2,356.14**
Profit for the year		**7,437.97**	**7,923.16**
Earnings per equity share [nominal value of shares ₹ 10 (31 October 2012 : ₹ 10)]	31		
Basic (₹)		35.40	37.71
Diluted (₹)		35.35	37.64

Summary of significant accounting policies. 1

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President & Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary, General Counsel & Ethics Officer

Bengaluru
05 December 2013

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of MphasiS Limited ('the Company') and its subsidiaries, collectively referred to as 'the MphasiS Group' or 'the Group', have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless stated otherwise and comply with the mandatory Accounting Standards ('AS') prescribed under the Companies Act, 1956 (read with the General Circular 15/2013 dated 13/9/2013 issued by the Ministry of Corporate Affairs), other pronouncements of the Institute of the Chartered Accountants of India ('ICAI') and the related provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

Use of estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses for the year reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future years.

Basis of consolidation

The consolidated financial statements include the financial statements of MphasiS Limited and all its subsidiaries, which are more than 50% owned or controlled. Refer note 2 for the description of the Group.

The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21, Consolidated Financial Statements prescribed under the Companies Act, 1956 (read with the General Circular 15/2013 dated 13/9/2013 issued by the Ministry of Corporate Affairs).

The financial statements of the parent company and subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that the recoverable value of related assets are lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of subsidiaries.

Minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

Revenue recognition

The Group derives its revenues primarily from software services & projects, call centre & business process outsourcing operations, infrastructure outsourcing services, licensing arrangement, application services and trading of goods.

Revenues from software services & projects comprise income from time-and-material and fixed price contracts. Revenue from time-and-material contracts is recognized when the services are rendered in accordance with the terms of contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from call centre and business & knowledge process outsourcing operations arise from both time-based and unit-priced client contracts. Such revenue is recognized when the services are rendered in accordance with the terms of the contracts with clients.

Revenues from infrastructure outsourcing services arise from time-based, unit-priced and fixed price contracts. Revenue from time-based and unit-priced is recognized when the services are rendered in accordance with the terms of the contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from licensing arrangements is recognized on transfer of the title in user licenses, except those contracts where transfer of title is dependent upon rendering of significant implementation services by the Group, in which case revenue is recognized over the implementation period in accordance with the specific terms of the contracts with clients.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

Maintenance revenue is recognized rateably over the period of underlying maintenance agreements.

Revenues from sale of goods is recognized on transfer of significant risks and rewards in accordance with the terms of contract. Revenue is shown as net of sales tax, value added tax and applicable discounts.

Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. 'Unbilled revenue' included in the current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned revenue' included in the current liabilities represent billings in excess of revenues recognized.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest income is recognized using the time-proportion method, based on underlying interest rates.

Dividend income is recognized when the right to receive the dividend is established.

Fixed assets and capital work-in-progress

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation and write down for impairment if any. Direct costs are capitalised until the assets are ready to be put to use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Fixed assets purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase.

Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and capitalised when it is probable that future economic benefits that are attributable to the assets will flow to the Group. Fixed assets held by foreign subsidiaries are translated into Indian rupees at the closing rate.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

Goodwill arising on consolidation

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which those subsidiaries were acquired, is recognized in the financial statements as goodwill. The Company's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of acquisition.

Depreciation and amortization

Depreciation on fixed assets is provided using the straight-line method over the estimated useful lives of assets. Depreciation is charged on a proportionate basis for all assets purchased and sold during the year. Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase. The estimated useful lives of assets are as follows:

For assets used in call center services	
	Years
Buildings	10
Plant and machinery (including telecom equipments)	5
Computer equipment	5
Office equipment	5
Furniture and fixtures	5
Vehicles	3 to 5

For assets used in other services	
	Years
Buildings	10
Plant and machinery	4
Computer equipment	2
Office equipment	3
Furniture and fixtures	4
Vehicles	3 to 5

Assets used for Unique Identification (UID) services have been depreciated over a period of 2 years.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

Freehold land is not depreciated. Leasehold improvements are amortized over the remaining lease term or 3 years (5 years for Call center services), whichever is shorter. Significant purchased application software and internally generated software that is an integral part of the Group's computer systems and expected to provide lasting benefits, is capitalised at cost and amortized on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortized on the straight-line method over its estimated life or 7 years, whichever is shorter.

Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Profit or loss on sale and lease back arrangements resulting in operating leases are recognized immediately in case the transaction is established at fair value, else, the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used. If the sale price is below fair value, any profit or loss is recognized immediately in the statement of profit and loss.

Borrowing costs

Borrowing costs include interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that a fixed asset, including goodwill, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill, the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

Investments

Investments that are readily realisable and intended to be held for not more than a year, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in the value of investments is made if the impairment is not temporary in nature.

Employee benefits

Gratuity, which is a defined benefit, is accrued based on an independent actuarial valuation, which is done based on project unit credit method as at the balance sheet date. Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred.

The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the projected unit credit method. The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

Contributions payable to recognized provident funds, which are defined contribution schemes, are charged to the statement of profit and loss. The Group's liability is limited to contribution made to the fund.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

Effective 03 July 2013, MphasiS Limited and MphasiS FinsourcE Limited has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Provident Fund Trust guarantees a specified rate of return on such contributions on a periodical basis. The Group will meet the shortfall in the return, if any, which is provided for based on actuarial valuation carried out, as per projected unit credit method, as at the date of balance sheet. Also refer note 33 (b).

Stock-based compensation (Equity settled)

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 Plan wherein compensation cost is measured based on fair valuation . Compensation expense is amortized over the vesting period of the option on a straight line basis.

Foreign currency

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss of that year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date. The resultant exchange differences are recognized in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate as at the date of the transaction.

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

The financial statements of foreign subsidiaries being non-integral operations in terms of para 24 of AS 11, Accounting for the Effects of Changes in Foreign Exchange Rates, are translated into Indian rupees as follows:

a) Income and expense items are translated at the average exchange rates.
b) Assets (including goodwill) and liabilities, both monetary and non-monetary are translated at the closing rate.
c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and Surplus until the disposal of the net investment.
d) Contingent liabilities are translated at the closing rate.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transactions. The premium or discount on forward contracts that are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date arising at the inception of each contract, is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the year.

In relation to the forward contracts entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with paragraphs 36 and 37 of AS 11. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting year, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting year in which the exchange rates change.

The Group has adopted the principles of AS 30 “Financial Instruments: Recognition and Measurement” in respect of its derivative financial instruments (excluding embedded derivatives) that are not covered by AS 11 “Accounting for the Effects of Changes in Foreign Exchange Rates” and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Group has met all the conditions of AS 30, are fair valued at the balance sheet date and the resultant gain/ loss is credited/ debited to the hedging reserve included in the Reserves and Surplus. This gain/ loss is recorded in the statement of profit and loss when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant gain/ loss has been credited/ debited to statement of profit and loss for the year.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period as specified in the tax laws of the respective countries.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period, is recognized in the period in which the timing differences originate. For this purpose, the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date. The legal entities within the Group offsets, on a year on year basis, the current and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as result of past event and it is probable that an outflow of resources will be required to settle a reliably estimable obligation. Provisions are not discounted to present value and are determined based on best estimate required to settle each obligation at each balance sheet date.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting obligations under a contract exceed the economic benefits expected to be received, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at each balance sheet date.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been arrived at, assuming that the proceeds receivable were based on shares having been issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that would, if issued, either reduce future earnings per share or increase loss per share, are included.

Inventories

Inventory comprises of traded goods and is measured at lower of cost and net realisable value. Cost includes direct materials and related direct expenses. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

2. DESCRIPTION OF THE GROUP

The MphasiS Group, a global, multicultural organisation headquartered in Bengaluru, India, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business & knowledge process outsourcing solutions to clients around the world.

MphasiS Limited is registered under the Indian Companies Act, 1956 with its registered office in Bengaluru. This is the flagship Company of the Group and is listed on the principal stock exchanges of India.

List of subsidiaries with percentage holding **% of holding**

Subsidiaries	Country of incorporation and other particulars	2013	2012
MphasiS Corporation	a company organised under the laws of Delaware, USA	100	100
MphasiS Deutschland GmbH	a company organised under the laws of Germany	91	91
MphasiS Australia Pty Limited	a company organised under the laws of Australia	100	100
MphasiS (Shanghai) Software & Services Company Limited	a company organised under the laws of The People's Republic of China	100	100
MphasiS Consulting Limited	a company organised under the laws of United Kingdom	100	100
MphasiS FinsourcE Limited [refer note 2.6]	a company organised under the laws of India	100	100
MphasiS Ireland Limited	a company organised under the laws of Ireland	100	100
MphasiS Belgium BVBA	a company organised under the laws of Belgium	100	100
MphasiS Lanka (Private) Limited [refer note 2.5]	a company organised under the laws of Sri Lanka	100	100
MphasiS Poland s.p.z.o.o.	a company organised under the laws of Poland	100	100
PT. MphasiS Indonesia	a company organised under the laws of Indonesia	100	100
MphasiS Europe BV	a subsidiary of MphasiS Corporation, organised under the laws of The Netherlands	100	100
MphasiS Infrastructure Services Inc. [refer note 2.2]	a subsidiary of MphasiS Corporation, organised under the laws of Delaware, USA	100	100
MphasiS Pte Limited	a subsidiary of MphasiS Europe BV, organised under the laws of Singapore	100	100
MphasiS UK Limited	a subsidiary of MphasiS Europe BV, organised under the laws of United Kingdom	100	100
MphasiS Software and Services (India) Private Limited	a subsidiary of MphasiS Europe BV, organised under the laws of India	100	100
MsourcE Mauritius Inc.	a subsidiary of MphasiS Europe BV, organised under the laws of Mauritius	100	100
MphasiS Wyde Inc. (formerly Seine Acquisition Inc.)	a subsidiary of MphasiS UK Limited, organised under the laws of Delaware, USA	100	100
MphasiS Philippines Inc. [refer note 2.3]	a subsidiary of MphasiS Pte Limited, organised under the laws of Republic of Philippines	100	100
MsourcE (India) Private Limited	a subsidiary of MsourcE Mauritius Inc., organised under the laws of India	100	100
Wyde Corporation Inc.	a subsidiary of MphasiS Wyde Inc., organised under the laws of Delaware, USA	100	100
MphasiS Wyde SASU (formerly MphasiS Wyde SAS)	a subsidiary of Wyde Corporation Inc., organised under the laws of France	100	100
Wyde Solutions Canada Inc.	a subsidiary of Wyde Corporation Inc., organised under the laws of Quebec, Canada	100	100
Wyde Tunisie SARL	a subsidiary of MphasiS Wyde SASU, organised under the laws of Tunisia	100	100

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

List of subsidiaries with percentage holding — % of holding

Subsidiaries	Country of incorporation and other particulars	2013	2012
Digital Risk, LLC. [refer note 2.4]	a subsidiary of MphasiS Wyde Inc., organised under the laws of Delaware, USA	100	-
Digital Risk Mortagage Services, LLC. [refer note 2.4]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	-
Digital Risk Compliance Services, LLC. [refer note 2.4]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	-
Digital Risk Analytics, LLC. [refer note 2.4]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	-
Investor Services, LLC. [refer note 2.4]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	-
Digital Risk Valuation Services, LLC. [refer note 2.4]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	-
Digital Risk Europe, OOD. [refer note 2.4]	a subsidiary of Digital Risk, LLC., organised under the laws of Bulgaria	100	-
Digital Risk Mortagage Services, Corp. [refer note 2.4]	a subsidiary of Digital Risk Mortagage Services, LLC., organised under the laws of Delaware, USA	100	-
MsourcE India BPO Private Limited [refer note 2.7]	a subsidiary of MsourcE (India) Private Limited, organised under the laws of India	100	100

All the above subsidiaries are under the same management.

2.1 The Company acquired control of Kshema Technologies Limited ("Kshema") on 01 June 2004. Kshema has been amalgamated with MphasiS Limited with effect from 01 April 2005.

The balance consideration payable to the erstwhile shareholders amounting to ₹ 17.06 millions (31 October 2012: ₹ 17.06 millions) is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 9).

2.2 MphasiS Corporation, a subsidiary of the Company, acquired MphasiS Infrastructure Services Inc. (formerly Fortify Infrastructure Services Inc.) along with its subsidiaries effective 01 May 2010 for an aggregate consideration of USD 27.74 millions (₹ 1,230.43 millions) including USD 12.50 millions payable in two tranches of USD 6.00 millions and USD 6.50 millions respectively upto the financial year ended 31 October 2012 on the basis of the fulfillment of certain revenue/ earnings obligations.

As per the addendum to the Share Purchase Agreement, the date of fulfillment of revenue/ earnings obligations was revised to 31 January 2013.

During the year ended 31 October 2012, MphasiS Corporation paid USD 5.89 millions (₹ 310.66 millions) as first tranche and balance USD 0.11 millions (₹ 5.75 millions) was adjusted with goodwill.

During the year ended 31 October 2013, MphasiS Corporation paid USD 4.30 millions (₹ 231.36 millions) as second tranche settlement and a second addendum was executed to settle the balance USD 2.20 millions (₹ 132.89 millions) as third tranche by 12 July 2013. Of the balance, USD 1.07 millions (₹ 64.63 millions) has been paid on 16 August 2013 and USD 1.13 millions (₹ 69.50 millions) is pending settlement.

2.3 MphasiS Philippines Inc. was incorporated as a subsidiary of MphasiS Pte Ltd. on 20 July 2012.

2.4 During the year ended 31 October 2013, MphasiS Wyde Inc. acquired USA based Digital Risk LLC, on a cash free debt free basis for USD 175 millions (₹ 9,514.75 millions) with an additional maximum earn-out component of USD 27 millions (₹ 1,467.99 millions) payable in five tranches over next 30 months ending 31 July 2015. Accordingly, the financial statements of Digital Risk LLC and its subsidiaries has been consolidated into the consolidated financial statements effective 11 February 2013 resulting in goodwill of ₹ 10,169.54 millions on acquisition. During the year ended 31 October 2013, USD 5.4 millions (₹ 332.13 millions) has been paid towards first tranche of earn-out liability.

2.5 On 22 July 2013, the Board of Directors of MphasiS Lanka (Private) Limited, a wholly owned subsidiary of MphasiS Limited, resolved to close down its operations.

2.6 The Board of Directors of the Company in its meeting held on 27 September 2013 has approved the amalgamation of MphasiS FinsourcE Limited with its Holding Company, MphasiS Limited, 01 April 2013 being the appointed date of merger. The Company is in the process of seeking approvals from The National Stock Exchange of India Limited, The Bombay Stock Exchange limited and The Hon'ble High Court of Karnataka.

2.7 MsourcE India BPO Private Limited has been dissolved and the name has been struck off from the register of Registrar of Companies effective 21 November 2013.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
3.	**SHARE CAPITAL**		
	Authorised shares		
	245,000,000 (31 October 2012: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
	Issued, subscribed and fully paid-up shares		
	210,127,099 (31 October 2012: 210,106,857) equity shares of ₹ 10 each fully paid-up	2,101.27	2,101.07
	Add: Amount originally paid-up on forfeited shares	0.07	0.07
	Total issued, subscribed and fully paid-up share capital	**2,101.34**	**2,101.14**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 October 2013		31 October 2012	
	Number	₹ millions	Number	₹ millions
At the beginning of the year	210,106,857	2,101.07	210,036,045	2,100.36
Issued during the year - Bonus issue	700	0.01	-	-
Issued during the year - Employee stock option plans	19,542	0.19	70,812	0.71
Outstanding at the end of the year	**210,127,099**	**2,101.27**	**210,106,857**	**2,101.07**

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 October 2013, the amount of per share dividend recognized as distributions to equity shareholders is ₹ 17.00 (31 October 2012: ₹ 17.00).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates (₹ millions)

	31 October 2013	31 October 2012
EDS Asia Pacific Holdings, Mauritius (Subsidiary of the ultimate holding company)	830.02	830.02
83,002,201 (31 October 2012: 83,002,201) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Far East) (Subsidiary of the ultimate holding company)	441.04	441.04
44,104,064 (31 October 2012: 44,104,064) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Netherlands) LLC (Subsidiary of the ultimate holding company)	0.00	0.00
1 (31 October 2012: 1) equity share of ₹ 10 each fully paid		

The ultimate holding company is Hewlett-Packard Company, USA.

(d) Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	31 October 2013	31 October 2012
Equity shares allotted as fully paid bonus shares by capitalization of securities premium/ statement of profit and loss	6,000	7,400

In addition, the Company has issued total 1,197,935 shares (31 October 2012: 1,487,068) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(e) **Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	31 October 2013	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity (Mauritius) Limited	18,500,000	8.80

Name of the shareholder	31 October 2012	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity Fund (Mauritius) Limited	18,500,000	8.81

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(f) **Shares reserved for issue under options**

For details of shares reserved for issue under the ESOP plan of the Company, refer note 4.

(₹ millions)

	31 October 2013	31 October 2012
4. RESERVES & SURPLUS		
Capital reserve		
Balance as per last financial statements	361.39	96.23
Receipts from liquidation of trust (refer note 38)	-	265.16
Closing balance	**361.39**	**361.39**
Capital redemption reserve	**4.75**	**4.75**
Securities premium account		
Balance as per last financial statements	1,553.36	1,546.44
Add: Premium on issue of shares	1.70	5.37
Add: Transferred from stock options outstanding	0.16	1.55
Closing balance	**1,555.22**	**1,553.36**
Employee stock options outstanding		
Balance as per last financial statements	115.33	201.99
Add: Gross compensation for options granted during the year	-	53.13
Less: Transferred to securities premium on exercise of options	0.16	1.55
Less: Exercise of options	20.27	92.29
Less: Reversal on forfeiture/ lapse of options granted	8.15	45.95
	86.75	**115.33**
Less: Deferred employee stock compensation expense		
Balance as per last financial statements	31.21	85.05
Add: Gross compensation for options granted during the year	-	53.13
Less: Expense for the year	18.49	61.02
Less: Reversal on forfeiture/ lapse of options granted	8.15	45.95
	4.57	**31.21**
Closing Balance	**82.18**	**84.12**

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
4.	**RESERVES & SURPLUS (Contd...)**		
	General reserve		
	Balance as per last financial statements	4,181.59	3,572.11
	Add: Amount transferred from surplus balance in the statement of profit and loss	539.51	611.05
	Less: Loss on exercise of restricted stock units	-	1.57
	Closing balance	**4,721.10**	**4,181.59**
	Hedging reserve		
	Balance as per last financial statements	(654.34)	(734.53)
	Add/ (Less): Transaction during the year	(1,515.98)	(1,253.29)
	Add/ (Less): Transfer to revenue	1,078.17	1,333.48
	Closing balance	**(1,092.15)**	**(654.34)**
	Foreign currency translation reserve		
	Balance as per last financial statements	1,425.90	466.31
	Add/ (Less): Movement during the year	2,476.75	959.59
	Closing balance	**3,902.65**	**1,425.90**
	Surplus in the statement of profit and loss		
	Balance as per last financial statements	34,989.42	31,829.17
	Profit for the year	7,437.97	7,923.16
	Less: Appropriations		
	Final dividend for earlier years	0.45	0.51
	Proposed final equity dividend (amount per share ₹ 17.00 (31 October 2012: ₹ 17.00))	3,572.16	3,571.82
	Tax on proposed equity dividend	607.16	579.53
	Issue of bonus shares	0.01	-
	Transfer to general reserve	539.51	611.05
	Total appropriations	**4,719.29**	**4,762.91**
	Net surplus in the statement of profit and loss	**37,708.10**	**34,989.42**
	Total reserves and surplus	**47,243.24**	**41,946.19**

Employee Stock Option Plans ('ESOP')-Equity settled

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the years ended 31 October 2013 and 31 October 2012 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 32).

Employees Stock Option Plan-1998 (the 1998 Plan): The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan-(Version I) and 1998 Plan-(Version II) during the years 1998-1999 and 1999-2000 respectively.

1998 Plan-(Version I): Each option, granted under the 1998 Plan-(Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

The movements in the options granted under the 1998 Plan-(Version I) for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	48,288	34.38	67,632	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	1,288	34.38	19,344	34.38
Options outstanding at the end	47,000	34.38	48,288	34.38
Exercisable at the end	47,000	34.38	48,288	34.38

The weighted average share price as at the date of exercise for stock options was ₹ 368.35 (31 October 2012: ₹ 386.97). The options outstanding as at 31 October 2013 has an exercise price of ₹ 34.38 (31 October 2012: ₹ 34.38).

1998 Plan-(Version II): Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in the case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to a minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan-(Version II) for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No of Options	Weighted Average Exercise Price (₹)	No of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	394,642	84.88	515,974	88.91
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	66,102	81.84	82,436	103.55
Exercised	16,852	100.13	38,896	98.72
Options outstanding at the end	311,688	84.70	394,642	84.88
Exercisable at the end	311,688	84.70	394,642	84.88

The weighted average share price as at the date of exercise for stock options was ₹ 375.98 (31 October 2012: ₹ 347.71). The options outstanding as at 31 October 2013 has an exercise price ranging from ₹ 23.21 to ₹ 258.00 (31 October 2012: ₹ 23.21 to ₹ 258.00) and weighted average remaining contractual life of 1.37 years (31 October 2012: 1.93 years).

Employees Stock Option Plan-2000 (the 2000 Plan): Effective 25 July 2000, the Company instituted the 2000 Plan. The shareholders and ESOP Committee approved the 2000 Plan in July 2000. The 2000 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries.

The 2000 Plan is administered by the ESOP Committee appointed by the Board. Under the 2000 Plan, options will be issued to employees at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is one to two years from the date of vesting.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

The movements in the options under the 2000 plan for the year ended 31 October 2012 is set out below:

	Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	26,576	171.66
Granted	-	-
Forfeited	-	-
Lapsed	20,826	169.92
Exercised	5,750	177.97
Options outstanding at the end	-	-
Exercisable at the end	-	-

The weighted average share price as at the date of exercise of stock options for 31 October 2012 was ₹ 362.46. No options were outstanding as at 31 October 2012.

Employees Stock Option Plan-2004 (the 2004 Plan): At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of MsourcE Corporation as on 20 September 2004, pursuant to its merger with MphasiS Corporation and the assumption of the MsourcE stock options by the Company.

The 2004 Plan is administered through the ESOP Committee appointed by the Board and comprises two programs. Under Program A, outstanding options of MsourcE Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the MsourcE 2001 plan, the exercise price being the equivalent amount payable by the option holder under the MsourcE 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the MsourcE 2001 plan.

Options under Program B represent fresh grants and will be issued to employees at an exercise price which shall be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options under the 2004 Plan for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	12,358	117.91	21,506	113.15
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	2,326	184.50
Exercised	1,402	117.36	6,822	80.22
Options outstanding at the end	10,956	117.98	12,358	117.91
Exercisable at the end	10,956	117.98	12,358	117.91

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

The weighted average share price as at the date of exercise for stock options was ₹ 447.90 (31 October 2012: ₹ 405.29).The options outstanding as at 31 October 2013 has an exercise price ranging from ₹ 50.34 to ₹ 148.07 (31 October 2012: ₹ 50.34 to ₹ 148.07) and weighted average remaining contractual life of 3.02 years (31 October 2012: 3.80 years).

Employees Stock Option Plan-2012 (the 2012 Plan): Effective 14 March 2012, the Company instituted the 2012 Plan. The Board and the shareholders of the Company approved 2012 plan on 20 January 2012. The 2012 plan provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The 2012 plan is administered by the MphasiS Employees Benefit Trust which is created for this purpose. Each option, granted under this plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the 2012 plan for the year ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	**Weighted Average Exercise Price (₹)**	**No. of Options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	500,750	410.25	-	-
Granted	-	-	567,300	410.25
Forfeited	41,425	410.25	66,550	410.25
Lapsed	175	410.25	-	-
Exercised	2,350	410.25	-	-
Options outstanding at the end	456,800	410.25	500,750	410.25
Exercisable at the end	230,425	410.25	-	-

The weighted average share price as at the date of exercise of stock option was ₹ 463.75 (31 October 2012: ₹ Nil). The options outstanding as at 31 October 2013 has an exercise price ₹ 410.25 (31 October 2012: ₹ 410.25) and weighted average remaining contractual life of 2.84 years (31 October 2012: 3.84 years).

The weighted average fair value of stock options granted during the year was ₹ Nil (31 October 2012: ₹ 93.65). The Black-Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	31 October 2013	31 October 2012
Weighted average share price on the date of grant	–	410.25
Exercise Price	–	410.25
Expected Volatility*	–	40.53%
Life of the options granted in years	–	1 -2 Years
Average risk-free interest rate	–	8.20%
Expected dividend rate	–	1.50%

* The expected volatility was determined based on historical volatility data.

Total Employee Compensation Cost pertaining to 2012 plan during the year is ₹ 17.33 millions (31 October 2012: ₹ 20.99 millions).

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

Restricted Stock Units

EDS, the Holding Company, had issued Restricted Stock Units ('RSU') to certain employees of the Group. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSUs to certain employees of the Group. The total cost reversed towards RSUs for the year ended 31 October 2013 amounted to ₹ 1.48 millions (total cost incurred towards RSU's for the year ended 31 October 2012 amounted to ₹ 15.60 millions). However, the cost has been borne by HP and accordingly this has not been accounted as an expense or income by the Group.

Restricted Stock Unit Plan-2010 ('RSU Plan-2010')

Effective 1 August 2010, the Company instituted the Restricted Stock Unit Plan-2010. The Board and the shareholders of the Company approved RSU Plan-2010 on 29 June 2010 and 17 August 2010 respectively. The RSU Plan-2010 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2010 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2010, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is one to three years from the date of vesting.

The movements in the options under the RSU Plan-2010 for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	92,100	10.00	145,700	10.00
Granted	-	-	-	-
Forfeited	4,125	10.00	12,750	10.00
Lapsed	3,200	10.00	1,050	10.00
Exercised	45,125	10.00	39,800	10.00
Options outstanding at the end	39,650	10.00	92,100	10.00
Exercisable at the end	39,650	10.00	30,000	10.00

The weighted average share price as at the date of exercise of stock option was ₹ 391.71 (31 October 2012: ₹ 386.35). The options outstanding on 31 October 2013 has an exercise price of ₹ 10.00 (31 October 2012: ₹ 10.00) and the weighted average remaining contractual life of 1.84 years (31 October 2012: 2.89 years).

Total Employee Compensation Cost pertaining to RSU Plan-2010 during the year is ₹ 1.16 millions (31 October 2012: ₹ 27.38 millions).

Restricted Stock Unit Plan-2011 ('RSU Plan-2011')

Effective 1 April 2011, the Company instituted the Restricted Stock Unit Plan-2011. The Board and the shareholders of the Company approved RSU Plan-2011 on 22 November 2010 and 24 February 2011 respectively. The RSU Plan-2011 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2011 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2011, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ Nil per share. The equity shares covered under these options vest over a period of twelve months from the date of grant. The exercise period is three months from the date of vesting.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

The movements in the options under the RSU Plan-2011 for the year ended 31 October 2012 is set out below:

	Year ended 31 October 2012	
	No. of Options	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	250,420	-
Granted	-	-
Forfeited	38,290	-
Lapsed	35,600	-
Exercised	176,530	-
Options outstanding at the end	-	-
Exercisable at the end	-	-

The weighted average share price as at the date of exercise of stock options for 31 October 2012 was ₹ 373.34. No options were outstanding as at 31 October 2012.

Total Employee Compensation Cost pertaining to RSU Plan-2011 during the year ended 31 October 2012 was ₹ 12.66 millions.

The Group has advanced an amount of ₹ 140.96 millions (31 October 2012: ₹ 162.65 millions) to the MphasiS Employees Benefit Trust.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
5. LONG-TERM BORROWINGS				
Loan from Hewlett-Packard Company	-	-	-	538.05
Other loans	4,981.91	-	560.95	-
Amount disclosed under the head "Other current liabilities"	-	-	(560.95)	(538.05)
	4,981.91	**-**	**-**	**-**

Loan from Hewlett-Packard Company was repaid on 29 October 2013. It carried an interest of 2.04% p.a (31 October 2012: 3.77% p.a). The balance outstanding as on 31 October 2012 was secured against trade receivables.

Other loans carry interest @ libor plus 2.77% p.a and is repayable over a period of 5 years. 100% equity interests of Digital Risk LLC has been pledged against the loan.

	31 October 2013	31 October 2012
6. DEFERRED TAX LIABILITIES (NET)		
Depreciation and amortization expense: Difference between tax depreciation and depreciation/ amortization as per statement of profit and loss	120.19	181.84
Provision for doubtful debts and advances	(5.90)	-
Provision for employee benefits	(52.28)	(97.60)
Others	(5.47)	(13.24)
	56.54	**71.00**

	31 October 2013	31 October 2012
7. SHORT TERM BORROWINGS		
Pre-shipment loan in foreign currency	-	2,690.25
	-	**2,690.25**

Pre-shipment loan carried interest @ 0.9385% p.a. This unsecured loan was repayable along with interest after 3 months from the date of loan and accordingly has been fully repaid during the year.

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
8. TRADE PAYABLES				
Trade payables	-	-	4,197.12	4,497.49
Salary related costs	38.99	-	2,012.98	1,750.72
	38.99	**-**	**6,210.10**	**6,248.21**

The Group has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 October 2013 and 31 October 2012. The details in respect of such dues are as follows:

Particulars	31 October 2013	31 October 2012
The principal amount remaining unpaid to any supplier	12.05	1.33
The amount of interest due and remaining unpaid to any supplier	10.97	6.48
The amount of interest paid by the Group along with the amount of the payments made to the supplier beyond the appointed day	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year)	3.50	4.05
The amount of interest accrued and remaining unpaid at the end of the year	Nil	Nil
The amount of further interest remaining due and payable for the earlier years	6.48	1.99

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
9. OTHER LIABILITIES				
Advances from clients	-	-	83.76	34.43
Unearned revenue	-	-	331.02	308.21
Interest on long term loans payable	-	-	14.85	51.40
Rent equalisation reserve	91.02	72.93	63.97	16.91
Statutory dues	-	-	537.89	540.19
Capital creditors	-	-	43.15	40.90
Other payables*	664.77	-	993.26	607.33
Unpaid dividend**	-	-	5.98	4.32
Current maturities of long-term borrowings	-	-	560.95	538.05
Restatement of forward cover	-	-	-	98.20
	755.79	**72.93**	**2,634.83**	**2,239.94**

* The above amount includes ₹ 17.06 millions (31 October 2012: ₹ 17.06 millions) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 2.1], ₹ 69.50 millions (USD 1.13 millions) [31 October 2012: ₹ 349.73 millions (USD 6.50 millions)] which represents the earnout payable to the erstwhile share holders of Fortify Infrastructure Services Inc. [refer note 2.2] and ₹ 1,328.51 millions (USD 21.60 millions) (31 October 2012: ₹ Nil) which represents the earnout payable to the erstwhile share holders of Digital Risk LLC. [refer note 2.4].

** Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due.

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
10. PROVISIONS				
Provision for employee benefits				
Provision for gratuity [refer note 33 (a)]	-	60.98	372.83	100.00
Provision for employee compensated absences	-	-	530.58	387.66
	-	**60.98**	**903.41**	**487.66**
Other provisions				
Proposed equity dividend	-	-	3,572.16	3,571.82
Provision for tax on proposed equity dividend	-	-	607.09	579.44
Provision for taxation	-	-	758.22	477.32
Provision for mark to market losses on derivative contracts	275.55	64.00	817.46	786.83
	275.55	**64.00**	**5,754.93**	**5,415.41**
	275.55	**124.98**	**6,658.34**	**5,903.07**

11. TANGIBLE AND INTANGIBLE ASSETS

(₹ millions)

	Tangible Assets									Intangible Assets		
	Freehold land	Buildings	Plant and equipment	Computer equipment	Office equipment	Furniture and fixtures	Vehicles	Leasehold improve-ments	Total of Tangible Assets	Computer software	Total of Intangible Assets	Total
Cost or valuation												
At 1 November 2011	27.38	1.23	2,603.57	3,012.46	1,246.55	1,125.83	122.77	1,735.64	**9,875.43**	1,463.90	**1,463.90**	**11,339.33**
Additions	-	-	387.95	257.39	139.11	67.67	49.37	230.47	**1,131.96**	122.39	**122.39**	**1,254.35**
Disposals	-	(1.23)	(162.99)	(238.99)	(55.40)	(533.11)	(46.66)	(298.76)	**(1,337.14)**	(27.44)	**(27.44)**	**(1,364.58)**
Exchange differences	-	-	33.72	42.50	4.45	13.01	1.14	2.07	**96.89**	75.14	**75.14**	**172.03**
At 31 October 2012	**27.38**	**-**	**2,862.25**	**3,073.36**	**1,334.71**	**673.40**	**126.62**	**1,669.42**	**9,767.14**	**1,633.99**	**1,633.99**	**11,401.13**
Additions	-	-	230.43	304.61	91.71	138.46	35.94	73.51	**874.66**	274.50	**274.50**	**1,149.16**
Disposals	-	-	(95.38)	(1,017.08)	(76.78)	(89.68)	(30.49)	(140.15)	**(1,449.56)**	(623.40)	**(623.40)**	**(2,072.96)**
Exchange differences	-	-	111.16	108.83	14.20	25.07	0.78	9.87	**269.91**	144.98	**144.98**	**414.89**
At 31 October 2013	**27.38**	**-**	**3,108.46**	**2,469.72**	**1,363.84**	**747.25**	**132.85**	**1,612.65**	**9,462.15**	**1,430.07**	**1,430.07**	**10,892.22**
Depreciation												
At 1 November 2011	-	1.23	1,862.94	2,293.82	1,009.99	959.63	41.96	1,314.77	**7,484.34**	1,010.85	**1,010.85**	**8,495.19**
Charge for the year	-	-	407.05	568.13	215.61	119.75	24.49	222.98	**1,558.01**	185.71	**185.71**	**1,743.72**
Disposals	-	(1.23)	(148.77)	(230.32)	(55.17)	(525.76)	(29.82)	(297.83)	**(1,288.90)**	(27.44)	**(27.44)**	**(1,316.34)**
Exchange differences	-	-	26.62	37.58	4.42	6.68	0.95	1.42	**77.67**	40.63	**40.63**	**118.30**
At 31 October 2012	**-**	**-**	**2,147.84**	**2,669.21**	**1,174.85**	**560.30**	**37.58**	**1,241.34**	**7,831.12**	**1,209.75**	**1,209.75**	**9,040.87**
Charge for the year	-	-	364.02	405.17	132.46	76.57	25.25	194.89	**1,198.36**	249.93	**249.93**	**1,448.29**
Disposals	-	-	(78.99)	(1,010.56)	(62.89)	(85.37)	(13.34)	(137.25)	**(1,388.40)**	(607.32)	**(607.32)**	**(1,995.72)**
Exchange differences	-	-	64.14	85.69	9.42	11.47	0.57	5.91	**177.20**	99.61	**99.61**	**276.81**
At 31 October 2013	**-**	**-**	**2,497.01**	**2,149.51**	**1,253.84**	**562.97**	**50.06**	**1,304.89**	**7,818.28**	**951.97**	**951.97**	**8,770.25**
Net block												
At 31 October 2012	**27.38**	**-**	**714.41**	**404.15**	**159.86**	**113.10**	**89.04**	**428.08**	**1,936.02**	**424.24**	**424.24**	**2,360.26**
At 31 October 2013	**27.38**	**-**	**611.45**	**320.21**	**110.00**	**184.28**	**82.79**	**307.76**	**1,643.87**	**478.10**	**478.10**	**2,121.97**

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
12.	GOODWILL ON CONSOLIDATION		
	Balance brought forward	9,612.47	8,698.02
	Add: On acquisition of Digital Risk LLC. (refer note 2.4)	10,169.54	-
	Less: On acquisition of MphasiS Infrastructure Services Inc. (refer note 2.2)	-	(5.75)
	Add/ (Less): Movement on account of exchange rate fluctuation	2,716.69	920.20
		22,498.70	**9,612.47**

		31 October 2013	31 October 2012
13.	NON-CURRENT INVESTMENTS *		
	Unquoted mutual funds		
	Birla Sun Life Dynamic Bond Fund - Retail Plan	2,498.98	-
	238,885,199 units at ₹ 10.4610 (31 October 2012: Nil units)		
	Kotak Bond Scheme Plan A - Dividend	973.59	-
	93,053,157 units at ₹ 10.4627 (31 October 2012: Nil units)		
	HDFC Income Fund - Dividend	968.04	-
	85,598,006 units at ₹ 11.3091 (31 October 2012: Nil units)		
	Reliance Dynamic Bond Fund	980.81	-
	94,518,133 units at ₹ 10.3770 (31 October 2012: Nil units)		
	IDFC - Dynamic Bond Fund	501.34	-
	49,021,826 units at ₹ 10.2268 (31 October 2012: Nil units)		
	ICICI Prudential Short term - Regular Plan	1,495.50	-
	125,184,619 units at ₹ 11.9464 (31 October 2012: Nil units)		
		7,418.26	**-**

* Effective 01 July 2013, the Group has re-assessed its intention to hold certain investments in mutual funds held as current to a period more than twelve months and accordingly, investments aggregating to ₹ 9,870.93 millions were classified as non-current investments on the said date at lower of cost and fair value. Subsequently investments aggregating to ₹ 2,452.67 millions have been sold.

		31 October 2013	31 October 2012
14.	DEFERRED TAX ASSETS (NET)		
	Depreciation and amortization expense: Difference between tax depreciation and depreciation/ amortization as per statement of profit and loss	693.00	791.27
	Provision for doubtful debts and advances	122.54	29.39
	Provision for employee benefits	48.38	187.37
	Others	150.68	6.59
		1,014.60	**1,014.62**

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
15. LOANS AND ADVANCES				
Unsecured - considered good				
Capital advances	3.13	30.56	-	-
Deposits				
- Premises	790.33	811.72	34.28	22.96
- With government authorities	22.83	22.24	-	4.21
- Others	598.38	131.30	3.23	29.39
Loans to employees	-	-	7.42	4.67
Loan to ESOP trust	-	6.35	140.96	156.30
Advances recoverable in cash or kind				
- Prepaid expenses	87.60	55.91	465.25	187.72
- Employee advances	-	-	98.63	114.27
- Advance to supplier/ others	-	-	96.97	165.35
Balance with statutory/ government authorities *	1,437.18	428.79	358.17	1,624.38
Advance income-tax (net of provision for taxation)	2,000.72	1,377.34	-	-
MAT credit entitlement **	867.16	859.41	313.01	425.96
	5,807.33	**3,723.62**	**1,517.92**	**2,735.21**

* Balances with statutory/ government authorities include service tax input credit receivable, (net) of ₹ 1,743.83 millions (31 October 2012: ₹ 2,018.01 millions). Based on legal opinion obtained by the Group, service tax liability on imported services under "Import of Services Rules" have been discharged using accumulated balance available in CENVAT Credit Account for the period 1 December 2010 to 31 March 2011. Effective 1 April 2011 such position is reversed and service tax liability on select imported services under "Import of Services Rules" have been discharged in cash. Further, the Group has obtained legal opinions in support of its position on non applicability of service tax under "Import of Services Rules" on onsite services provided by foreign vendors (including group companies).

The management, per the legal opinion, is confident that the legal positions taken by the Group are tenable and defendable under law.

** net of MAT credit utilisation of ₹ 130.96 millions (31 October 2012: ₹ 480.39 millions).

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
16. OTHER ASSETS				
Non-current bank balances (refer note 19)	87.14	86.68	-	-
Unbilled revenue	-	-	5,661.47	5,744.25
Accrued interest	-	-	57.32	5.38
Restatement of forward cover	-	-	16.94	-
Rent equalisation reserve	70.12	-	-	-
Mark to market gains on forward cover	0.86	85.48	-	111.01
Expense incurred on behalf of customers	-	-	125.14	125.24
	158.12	**172.16**	**5,860.87**	**5,985.88**

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
17.	**CURRENT INVESTMENTS ***		
	Unquoted mutual funds		
	Birla Sun Life Cash Plus 24,031,330 units at ₹ 100.1950 (31 October 2012: 12,869,948 units at ₹ 100.1950)	2,407.82	1,289.50
	ICICI Prudential Liquid - Direct Plan 20,053,355 units at ₹ 100.0540 (31 October 2012: Nil units)	2,006.42	-
	ICICI Prudential Interval Fund II Quarterly Interval Plan B 29,989,504 units at ₹ 10.0035 (31 October 2012: Nil units)	300.00	-
	UTI Treasury Advance Fund - Institutional Plan 5,681,355 units at ₹ 1,002.3539 (31 October 2012: Nil units)	5,694.73	-
	IDFC Money Manager Fund - Invest Plan 69,385,028 units at ₹ 10.0528 (31 October 2012: Nil units)	697.51	-
	HDFC 90D August 2013 (1) Series 27- Regular 47,000,000 units at ₹ 10.0000 (31 October 2012: Nil units)	470.00	-
	Birla Sun Life Savings Fund Retail Nil units (31 October 2012: 37,316,740 units at ₹ 100.0774)	-	3,734.56
	ICICI Prudential Flexible Income Plan Premium Nil units (31 October 2012: 35,505,633 units at ₹ 105.7350)	-	3,754.19
	Kotak Bond (Short Term) Nil units (31 October 2012: 99,256,589.48 units at ₹ 10.0749)	-	1,000.00
	UTI Treasury Advantage Fund - Institutional Plan Nil units (31 October 2012: 4,746,728 units at ₹ 1,000.2141)	-	4,747.74
	Templeton India Low Duration Fund Nil units (31 October 2012: 193,100,804 units at ₹ 10.3268)	-	1,994.10
	Fidelity Short Term Income Fund Nil units (31 October 2012: 51,554,244 units at ₹ 10.0525)	-	518.25
	Birla Sun Life Dynamic Bond Fund - Retail Plan Nil units (31 October 2012: 120,404,255 units at ₹ 10.4912)	-	1,263.19
	Birla Sun Life Short Term Fund Nil units (31 October 2012: 42,928,036 units at ₹ 11.6313)	-	499.31
	HDFC High Interest Fund Nil units (31 October 2012: 129,885,691.53 units at ₹ 10.5793)	-	1,374.10
	ICICI Prudential Fixed Maturity Plan Nil units (31 October 2012: 20,000,000 units at ₹ 10.0000)	-	200.00
	ICICI Prudential Short Term Plan Nil units (31 October 2012: 62,645,158 units at ₹ 12.2473)	-	767.24
	ICICI Prudential LTP - Premium Plus Nil units (31 October 2012: 16,705,786 units at ₹ 11.9719)	-	200.00
	IDFC - SSIF - Shorterm Nil units (31 October 2012: 74,620,235 units at ₹ 10.2048)	-	761.48
	IDFC Money Manager Fund - Investment Plan Nil units (31 October 2012: 101,685,835 units at ₹ 10.1023)	-	1,027.26
	JP Morgan India Short Term Income Fund Nil units (31 October 2012: 51,708,666 units at ₹ 10.0291)	-	518.59
	Kotak Flexi Debt Fund Nil units (31 October 2012: 68,763,590 units at ₹ 10.0475)	-	690.90
	Religare Short Term Plan Nil units (31 October 2012: 47,478,872 units at ₹ 10.4683)	-	497.02
	L&T Ultra STF Installment Nil units (31 October 2012: 24,990,018 units at ₹ 10.1583)	-	253.86
	Reliance Money Manager Fund Nil units (31 October 2012: 100,870 units at ₹ 1001.3715)	-	101.01
		11,576.48	**25,192.30**

* valued at lower of cost and fair value.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
18. TRADE RECEIVABLES				
Outstanding for a period exceeding six months from the date they are due for payment, unsecured				
- Considered good	-	-	-	124.22
- Considered doubtful	375.94	136.08	-	-
Less: Provision for doubtful receivables	(375.94)	(136.08)	-	-
Other receivables				
- Considered good	408.82	-	6,511.14	6,233.30
	408.82	**-**	**6,511.14**	**6,357.52**

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
19. CASH AND BANK BALANCES				
Cash and cash equivalents				
Balances with banks:				
Cash on hand	-	-	0.14	0.07
- On current accounts	-	-	2,011.53	2,683.47
- Deposits with maturity less than 3 months	-	-	1,580.96	1,364.77
- Unclaimed dividend	-	-	5.98	4.32
	-	**-**	**3,598.61**	**4,052.63**
Other bank balances *				
- Deposits with original maturity for more than 12 months	87.14	86.68	0.05	24.72
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	2,200.53	47.05
	87.14	**86.68**	**2,200.58**	**71.77**
Amount disclosed under non-current assets (refer note 16)	(87.14)	(86.68)	-	-
	-	**-**	**2,200.58**	**71.77**
	-	**-**	**5,799.19**	**4,124.40**

* includes restricted deposits of ₹ 10.73 millions as at 31 October 2013 (31 October 2012: ₹ 30.84 millions).

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

		Year ended 31 October 2013	Year ended 31 October 2012
20.	**REVENUE FROM OPERATIONS**		
	Sale of services	58,970.11	54,444.34
	Sale of traded products	71.03	462.46
	Loss on cashflow hedges	(1,078.17)	(1,333.48)
		57,962.97	**53,573.32**
20.1	**Details of services rendered:**		
	Application maintenance & other services	18,505.23	18,179.15
	Application development	13,020.87	14,527.72
	Infrastructure management services	11,455.34	12,980.48
	Knowledge processing services	7,622.59	331.85
	Other services	8,366.08	8,425.14
		58,970.11	**54,444.34**
20.2	**Details of product sold:**		
	Biometric devices	71.03	462.46
		71.03	**462.46**

		Year ended 31 October 2013	Year ended 31 October 2012
21.	**OTHER INCOME**		
	Interest income on		
	Bank deposits	89.15	49.23
	Others	17.56	9.79
	Dividend income on investments	1,249.48	1,371.62
	Profit on sale of investments	-	33.37
	Foreign exchange gain/ (loss), (net)	34.22	181.90
	Profit on sale of fixed assets, (net)	6.12	23.50
	Miscellaneous income	8.23	10.83
		1,404.76	**1,680.24**
22.	**PURCHASE OF TRADED GOODS**		
	Biometric devices	69.62	428.16
		69.62	**428.16**
23.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and bonus	32,648.43	28,548.80
	Contribution to provident and other funds	2,209.30	1,912.91
	Employee stock option compensation cost (net)	18.49	61.02
	Gratuity expense [refer note 33 (a)]	211.85	180.95
	Staff welfare expenses	480.29	570.72
		35,568.36	**31,274.40**

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

		Year ended 31 October 2013	Year ended 31 October 2012
24.	**FINANCE COST**		
	Interest	223.10	72.32
	Exchange difference to the extent considered as an adjustment to borrowing costs	107.32	74.20
		330.42	**146.52**
25.	**OTHER EXPENSES**		
	Travel	1,360.26	1,086.15
	Recruitment expenses	324.74	266.69
	Communication expenses	619.19	724.13
	Rent	1,982.31	1,740.81
	Professional charges	1,659.77	635.85
	Provision for doubtful debts	226.43	36.89
	Software development expenses	2,979.20	3,914.13
	Power and fuel	539.12	476.29
	Software support & annual maintenance charges	979.02	1,269.98
	Insurance	78.69	27.26
	Rates & taxes	127.49	301.49
	Repairs & maintenance		
	- Plant & machinery	5.58	5.71
	- Building	6.49	5.93
	- Others	8.37	18.10
	Loss/ (gain) on sale/ revaluation of investments	10.76	-
	Miscellaneous expenses	1,091.83	872.05
		11,999.25	**11,381.46**

26. The Group's software development centres and call centres in India include 100% Export Oriented Units ('EOU'), Special Economic Zone ('SEZ') under Special Economic Zone Ordinance and Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to ₹ 51.26 millions as at 31 October 2013 (31 October 2012: ₹ 51.73 millions) have been furnished to the Customs authorities in this regard.

27. Contingent liabilities and commitments

(a) The Group has received assessment orders for the financial years ended 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009, wherein certain adjustments in respect of transfer pricing under section 92CA of the Income Tax Act, 1961 have been made to the taxable income and demand orders for ₹ 1,928.99 millions (31 October 2012: ₹ 1,777.49 millions) have been raised on the Group. The above demands are disputed by the management and the Group has filed appeals against the aforesaid orders with appellate authorities. The management is of the view that the prices determined by it are at arm's length and is confident that the demands raised by the assessing officer are not tenable under law. Pending outcome of the aforesaid matters under litigation, no provision has been made in the books of account for the above mentioned tax demands.

Other claims against the Group not acknowledged as debts amounting to ₹ 3,718.47 millions (31 October 2012: ₹ 1,208.33 millions) net of bank guarantees aggregating to ₹ 4,910.28 millions (31 October 2012: ₹ Nil). The management, basis internal evaluation and legal opinion is of the view that these demands are not tenable.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(b) Other outstanding bank guarantees as at 31 October 2013: ₹ 754.63 millions (31 October 2012: ₹ 711.55 millions) including those furnished on account of jointly controlled operations ₹ 108.70 millions (31 October 2012: ₹ 235.74 millions).

(c) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 October 2013: ₹ 160.04 millions (31 October 2012: ₹ 94.02 millions).

(d) Forward contracts outstanding against receivables/ highly probable forecast transactions as at 31 October 2013 and 31 October 2012 are as below:

Currency	31 October 2013		31 October 2012	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	271.20	16,680.16	353.40	19,014.69
GBP	13.15	1,295.90	18.28	1,584.93
CAD	4.18	245.96	4.17	224.84
AUD	-	-	10.40	581.62
EUR	12.82	1,077.26	13.38	936.82

Forward contracts outstanding against payables as at 31 October 2013 and 31 October 2012 are as below:

Currency	31 October 2013		31 October 2012	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
SGD	3.80	188.67	1.60	70.75
USD	-	-	50.00	2,690.25

The foreign exchange exposure of the Group has been hedged by forward contracts disclosed above.

Unamortized premium as at 31 October 2013 on forward exchange contracts to hedge the foreign currency risk of the underlying outstanding at the balance sheet date is ₹ 59.91 millions (31 October 2012: ₹ 58.19 millions). Net foreign currency exposure of the Group that is not hedged by a derivative instrument or otherwise as at 31 October 2013: ₹ 20,563.55 millions (31 October 2012: ₹ 12,614.61 millions).

(e) The Group has issued performance guarantees to certain clients for executed contracts.

28. Operating Leases

The Group is obligated under non-cancellable leases for equipments, office and residential space that are renewable on a periodic basis at the option of the lessor and the lessee. Total rental expense under non-cancellable operating leases amounted to ₹ 562.23 millions for the year ended 31 October 2013 (31 October 2012: ₹ 545.37 millions).

Future minimum lease payments under non-cancellable operating leases as at 31 October 2013 are as follows:

(₹ millions)

Period	31 October 2013	31 October 2012
Not later than 1 year	693.62	310.79
Later than 1 year and not later than 5 years	1,421.08	580.79
More than 5 years	1.84	-
	2,116.54	**891.58**

The Group has also occupied office facilities and residential facilities under cancellable operating lease agreements. The Group intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases for the year ended 31 October 2013 amounted to ₹ 1,420.08 millions (31 October 2012: ₹ 1,195.44 millions).

Office Premises are obtained on operating lease for terms ranging from 1 to 7 years and are renewable at the option of the Group/ lessor.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

29. Related Party Transactions

(a) Entities where control exists:

- Hewlett-Packard Company, USA (ultimate holding company)
- Hewlett-Packard Eagle Corporation, USA (100% subsidiary of Hewlett-Packard Company, USA)
- Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett-Packard Eagle Corporation, USA)*

* EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius), EDS World Corporation (Far East) and EDS World Corporation (Netherlands) LLC, the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 60.49% (31 October 2012: 60.50%) of the equity capital of the Company.

The related parties where control exists also include BFL Employees Equity Reward Trust, Kshema Employees Welfare Trust and MphasiS Employee Benefit Trust.

(b) Key management personnel:

The key management personnel of the Group are as mentioned below:

Executive key management personnel represented on the Board of the Company

■ Balu Ganesh Ayyar	Chief Executive Officer

Non-executive/ independent directors on the Board of the Company

■ Friedrich Froeschl	Director - Non Executive Chairman of the Board
■ Antonio F Neri	Director and appointed as Vice Chairman of the Board w.e.f. 28 February 2013
■ Davinder Singh Brar	Director
■ V Ravichandran	Director
■ Chandrakant D Patel	Director - Appointed w.e.f. 05 December 2012
■ James Mark Merritt	Additonal Director - Appointed w.e.f. 15 February 2013
■ Narayanan Kumar	Additonal Director - Appointed w.e.f. 15 February 2013
■ Lakshmikanth K Ananth	Additonal Director - Appointed w.e.f. 28 February 2013
■ Nawshir H Mirza	Director - Retired w.e.f. 01 February 2013
■ Prakash Jothee	Director - Resigned w.e.f. 14 November 2011
■ Francesco Serafini	Director & Vice Chairman - Resigned w.e.f. 14 February 2013
■ Balu Doraisamy	Director - Resigned w.e.f. 14 February 2013
■ Gerard Brossard	Director - Resigned w.e.f. 06 December 2012

(c) Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place:

- Hewlett-Packard UK Enterprise (I) Ltd.
- P.T. Hewlett-Packard Berca Servisindo
- Autonomy Inc
- HP India Software Operation Pvt Ltd
- Hewlett-Packard Australia Pty Limited
- HP Enterprise Services BPA Pty Ltd
- Hewlett-Packard Brasil Ltda
- Hewlett-Packard (Schweiz) GmbH
- Shanghai Hewlett-Packard Co, Ltd
- Hewlett-Packard GmbH
- Global E-Business Operations Private Ltd
- HP Centre de Competence France SAS
- Hewlett-Packard Ltd
- HP Financial Services (New Zealand)
- Hewlett-Packard Company
- HP Financial Services GmbH
- HP Financial Services SPRL
- HP Enterprise Services Australia Pty Ltd
- Hewlett-Packard Belgium B.V.B.A/S.P.R.L
- Hewlett-Packard (Canada) Co.
- Hewlett-Packard Technology (Shanghai) Co., Ltd
- Hewlett-Packard Colombia Ltda
- Hewlett-Packard Aps
- Hewlett-Packard OY
- Hewlett-Packard France SaS, France
- Hewlett-Packard CDS Limited

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

- HP Enterprise Services UK Ltd
- Hewlett-Packard India Sales Private Limited
- Hewlett-Packard Galway Ltd
- Hewlett-Packard Servicios Espania, S.L
- Hewlett-Packard Globalsoft Limited
- HP Enterprise Services Energy Italia S.r.l
- Hewlett-Packard Korea Limited
- Hewlett-Packard de Mexico S. De R.L. De CV
- Hewlett-Packard (K) Limited Liability Partnership
- Hewlett-Packard International Trade B.V.
- Hewlett-Packard New Zealand
- Hewlett-Packard Singapore (Sales) Pte. Ltd
- HP Services (Singapore) Pte Ltd
- HP Software, LLC
- Hewlett-Packard State & Local Enterprise Services, Inc.
- Hewlett-Packard Gesellschaft m.b.H
- Hewlett-Packard Servizi ICT S.r.l.
- Hewlett-Packard Global Investments B.V
- Hewlett-Packard International Sa'rl
- Hewlett-Packard Pakistan (Private) Limited
- HP Enterprise Services (Hong Kong) Ltd
- Hewlett-Packard Ireland, Ltd.
- Hewlett-Packard Financial Services (India) Private Ltd.
- Hewlett-Packard (M) Sdn.Bhd.
- HP Enterprise Services Italia S.r.l
- Hewlett-Packard Japan Limited
- Hewlett-Packard Services Kuwait Company W.L.L
- Hewlett-Packard Multimedia SDN BHD
- Hewlett-Packard Nederland B.V.
- Hewlett-Packard Norge A/S
- Hewlett-Packard Sverige A.B.
- Hewlett-Packard Asia Pacific Pte Ltd
- Hewlett-Packard (Thailand) Ltd
- Hewlett-Packard Enterprises LLC
- HP Enterprise Services, LLC
- Hewlett-Packard South Africa (Proprietary) Limited
- Hewlett-Packard Nigeria Ltd
- Hewlett-Packard Slovakia, s.r.o.
- Hewlett-Packard Gulf SAS
- Hewlett-Packard Philippines Incorporation

(d) The following is the summary of significant transactions with related parties by the Group:

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Rendering of services to entities where control exists	**2,420.31**	**2,241.33**
- Hewlett-Packard Company	2,420.31	2,241.33
Rendering of services to other related parties	**23,631.59**	**28,759.69**
- HP Enterprise Services, LLC	14,241.84	16,717.75
- Others	9,389.75	12,041.94
Purchase of fixed assets from other related parties	**16.79**	**102.36**
- Hewlett-Packard India Sales Private Limited	2.23	33.47
- Hewlett-Packard Singapore (Sales) Pte. Limited	14.56	68.75
- Others	-	0.14
Lease rentals to other related parties	**63.98**	**97.70**
- Hewlett-Packard Financial Services (India) Private Limited	63.98	97.70
Communication charges to other related parties	**2.43**	**67.85**
- HP Services (Singapore) Pte Limited	2.43	67.85
Software development charges to other related parties	**6.89**	**40.85**
- HP Services (Singapore) Pte Limited	6.89	40.85
Software support and annual maintenance charges to other related parties*	**776.75**	**899.19**
- HP Services (Singapore) Pte Limited	776.75	899.19
Other expenses paid to other related parties	**0.05**	**0.42**
- HP Services (Singapore) Pte Limited	0.05	0.42
Dividend paid (on cash basis)	**2,160.81**	**826.19**
- EDS Asia Pacific Holdings, Mauritius	1,411.04	539.51
- EDS World Corporation (Far East)	749.77	286.68
Remuneration to executive key management personnel	**69.51**	**74.55**
- Balu Ganesh Ayyar	69.51	74.55

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Commission to non-executive directors **	**11.90**	**11.07**
- Davinder Singh Brar	3.28	3.41
- Nawshir H Mirza	0.91	3.50
- Friedrich Froeschl	5.02	4.16
- Narayanan Kumar	2.69	-
Interest on loan to entities where control exists	**13.84**	**20.14**
-Hewlett-Packard Company	13.84	20.14
Loan repaid to Hewlett-Packard Company	**615.05**	**-**
Advance/ Loan given to MphasiS Employee Benefit Trust	**-**	**42.05**
Advance adjusted against issue of RSU MphasiS Employee Benefit Trust	**20.27**	**93.86**
Loan refunded by MphasiS Employee Benefit Trust	**1.42**	**0.40**

* The Group has accrued expenses for certain services received from a related party where significant influence exists on best estimate basis as at 31 October 2013.

** This does not include remuneration paid to certain non-executive directors by the ultimate parent company and its affiliates as they are employees of the said companies.

(e) **The balances receivable from and payable to related parties are as follows:**

	31 October 2013	31 October 2012
Advance/ Loan to MphasiS Employees Benefit Trust	**140.96**	**162.65**
Trade receivables and unbilled revenue - entities where control exists	**499.60**	**487.32**
-Hewlett-Packard Company	499.60	487.32
Trade receivables and unbilled revenue - other related parties	**4,316.68**	**5,421.40**
-HP Enterprise Services, LLC	2,394.72	2,902.29
- HP Enterprise Services UK Ltd	407.05	523.57
-Others	1,514.91	1,995.54
Loan payable to entities where control exists including interest	**-**	**589.45**
-Hewlett-Packard Company	-	589.45
Trade payable - other related parties	**1,024.83**	**729.28**
- HP Services (Singapore) Pte Limited	1,020.38	717.53
-Others	4.45	11.75
Remuneration payable to executive key management personnel	**1.33**	**1.53**
-Balu Ganesh Ayyar	1.33	1.53
Comission payable to non-executive directors	**6.80**	**2.99**
-Davinder Singh Brar	1.77	1.03
-Nawshir H Mirza	-	1.00
-Narayanan Kumar	1.94	-
-Friedrich Froeschl	3.09	0.96

In addition to the above, refer note 38 for the remittances received from MphasiS Employee Welfare Trust, Mauritius ('MEWT').

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

30. Segment reporting

The Group has identified Banking and Capital Market, Insurance, Information Technology, Communication and Entertainment and Emerging Industries as primary business segments of the Group.

The accounting policies consistently used in the preparation of financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, 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'.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), India, Asia Pacific (APAC) and Europe, Middle East & Africa (EMEA). Secondary segment information for previous year has been regrouped based on geographical segments of current year.

Primary segment information

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Segment revenue		
Banking and Capital Market	21,308.41	14,163.25
Insurance	6,985.33	6,320.38
Information Technology, Communication and Entertainment	11,591.89	14,550.02
Emerging Industries	19,155.51	19,873.15
Unallocated - Hedge	(1,078.17)	(1,333.48)
	57,962.97	**53,573.32**
Segment profit		
Banking and Capital Market	5,341.62	4,511.93
Insurance	1,736.83	1,717.77
Information Technology, Communication and Entertainment	2,599.52	3,341.98
Emerging Industries	5,967.29	5,544.21
Unallocated - Hedge	(1,078.17)	(1,333.48)
	14,567.09	**13,782.41**
Interest income	106.71	59.02
Finance costs	(330.42)	(146.52)
Other income	1,298.05	1,621.22
Other unallocable expenditure	(5,689.64)	(5,036.83)
Profit before taxation	**9,951.79**	**10,279.30**
Income taxes	2,513.82	2,356.14
Profit after taxation	**7,437.97**	**7,923.16**

	31 October 2013	31 October 2012
Segment assets		
Banking and Capital Market	6,338.69	3,665.86
Insurance	1,875.84	1,624.01
Information Technology, Communication and Entertainment	3,790.90	4,919.78
Emerging Industries	5,358.64	6,050.97
Unallocated	53,592.56	45,137.09
	70,956.63	**61,397.71**

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

	31 October 2013	31 October 2012
Segment liabilities		
Banking and Capital Market	4,372.70	1,964.89
Insurance	1,154.93	1,127.51
Information Technology, Communication and Entertainment	1,676.64	2,262.73
Emerging Industries	2,526.99	2,913.45
Unallocated	11,880.79	9,081.80
	21,612.05	**17,350.38**
Capital employed		
Banking and Capital Market	1,965.99	1,700.97
Insurance	720.91	496.50
Information Technology, Communication and Entertainment	2,114.26	2,657.05
Emerging Industries	2,831.65	3,137.52
Unallocated	41,711.77	36,055.29
	49,344.58	**44,047.33**

	Year ended 31 October 2013	Year ended 31 October 2012
Capital expenditure		
Banking and Capital Market	908.40	335.81
Insurance	66.14	149.86
Information Technology, Communication and Entertainment	109.76	344.98
Emerging Industries	181.39	471.21
	1,265.69	**1,301.86**
Depreciation		
Banking and Capital Market	394.82	422.87
Insurance	95.35	105.76
Information Technology, Communication and Entertainment	412.63	538.05
Emerging Industries	545.49	677.04
	1,448.29	**1,743.72**
Secondary segment information (revenues)		
Region		
USA	42,228.70	35,500.26
India	4,872.11	6,698.30
APAC	4,045.50	4,562.36
EMEA	7,894.83	8,145.88
Unallocated - Hedge	(1,078.17)	(1,333.48)
	57,962.97	**53,573.32**

Revenues by geographic area are based on the geographical location of the client.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

Secondary segment information (assets)

(₹ millions)

	31 October 2013	31 October 2012
Region		
USA	32,608.83	18,176.08
India	34,157.00	38,501.65
APAC	1,543.77	1,570.09
EMEA	2,647.03	3,149.89
	70,956.63	**61,397.71**

Secondary segment information (capital expenditure)

	Year ended 31 October 2013	Year ended 31 October 2012
Region		
USA	1,010.93	396.17
India	237.05	884.90
APAC	2.66	11.02
EMEA	15.05	9.77
	1,265.69	**1,301.86**

31. Earnings Per Share ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	Year ended 31 October 2013	Year ended 31 October 2012
Profit after taxation (₹ in millions)	7,437.97	7,923.16
Number of weighted average shares considered for calculation of basic earnings per share	210,122,068	210,086,195
Add: Dilutive effect of stock options	309,679	390,419
Number of weighted average shares considered for calculation of diluted earnings per share	**210,431,747**	**210,476,614**

The above does not include 21,000 (31 October 2012: 21,700) bonus shares held in abeyance by the Company.

32. Stock Based Compensation

The Group uses the intrinsic value method of accounting for its employee stock options except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 plan wherein compensation cost is measured based on fair value method. The Group, has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note,the Group's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

	Year ended 31 October 2013	Year ended 31 October 2012
Net profit as reported	7,437.97	7,923.16
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method	-	2.05
Pro-forma net profit	7437.97	7,925.21

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Earnings per share: Basic		
As reported	35.40	37.71
Pro-forma	35.40	37.72
Earnings per share: Diluted		
As reported	35.35	37.64
Pro-forma	35.35	37.65

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised) *	67.12% to 69.48%

* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

33. Employee Benefits

a. Gratuity Plan

The following tables set out the status of the gratuity plan as required under revised AS 15.

Reconciliation of the projected benefit obligations

	31 October 2013	31 October 2012
Change in projected benefit obligation		
Obligations at year beginning	616.83	501.97
Service cost	194.95	186.53
Interest cost	48.51	38.05
Benefits paid	(92.33)	(108.70)
Actuarial loss/ (gain)	6.35	(1.02)
Obligations at year end	**774.31**	**616.83**
Change in plan assets		
Plan assets at year beginning, at fair value	455.85	451.94
Expected return on plan assets (estimated)	36.72	42.29
Actuarial gain/ (loss)	1.24	0.32
Contributions	-	70.00
Benefits paid	(92.33)	(108.70)
Plan assets at year end, at fair value	**401.48**	**455.85**
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets at the end of the year	401.48	455.85
Present value of defined benefit obligation at the end of the year	774.31	616.83
Liability recognized in the balance sheet	**(372.83)**	**(160.98)**

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

	31 October 2013	31 October 2012
Assumptions		
Interest rate	8.50%	8.50%
Discount rate	8.50%	8.50%
Expected rate of return on plan assets	8.00%	8.50%
Actual rate of return on plan assets	9.40%	9.40%
Attrition rate	20%- 30%	20%- 30%
Expected contribution over next one year	372.83	100.00

	Year ended 31 October 2013	Year ended 31 October 2012
Gratuity cost for the year		
Service cost	194.95	186.53
Interest cost	48.51	38.05
Expected return on plan assets	(36.72)	(42.29)
Actuarial loss/ (gain)	5.11	(1.34)
Net gratuity cost	**211.85**	**180.95**

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 October 2013	31 October 2012
Investments with insurer	100%	100%

Amounts for the current and previous four periods are as follows:

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012	Year ended 31 October 2011	Year ended 31 October 2010	Year ended 31 October 2009
Fair value of plan assets at the end of the year	401.48	455.85	451.94	305.35	319.10
Present value of defined benefit obligation at the end of the year	774.31	616.83	501.97	415.19	378.57
Liability recognized in the balance sheet	(372.83)	(160.98)	(50.03)	(109.84)	(59.47)
Experience adjustment					
Experience gain/ (loss) adjustment on plan liability	(6.35)	1.02	2.12	4.32	11.76
Experience gain/ (loss) adjustment on plan asset	1.24	0.32	1.10	0.90	0.60

b. Provident Fund

The Group contributed ₹ 571.31 millions during the year ended 31 October 2013 (31 October 2012: ₹ 591.90 millions). Effective 03 July 2013, the Group has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Group has initiated steps for closure and transfer of funds from recognised provident funds to Trust. The Trust has invested the contribution in Government bonds with average returns more than the guaranteed return. Pending transfer of corpus from recognised provident fund the Group has not carried out actuarial valuation as at the balance sheet date. Also the management does not expect any shortfall.

Notes to the Consolidated Financial Statements for the year ended 31 October 2013

34. The Group paid an amount of USD 0.40 millions (₹ 17.53 millions) against a claim received from a client in respect of alleged identity theft pertaining to customer bank accounts involving the Group's employees and ex-employees. Liquid assets and properties worth USD 0.23 millions (₹ 10.06 millions) of the alleged offenders have been frozen by the authorities and legal action has been instituted against them. Under a separate deed of assignment, the client has assigned any amount recoverable from the aforesaid frozen assets of the alleged offenders to the Group. During the quarter ended 31 December 2005, the Group reached settlements for USD 0.18 millions (₹ 7.65 millions) with the insurance companies. The amount has since been received in cash.

During July 2007, the Group has received from the client, who was given this amount by the Court to be held in trust, an amount of ₹ 10.73 millions including interest from the aforesaid frozen assets. The said amount has been assigned by the client to the Group and has been kept in Fixed Deposit, until such time the Court in a final, non-appealable written order holds that the amounts may be appropriated by the Group or the client.

35. The movement in provisions during the year is as below:

(₹ millions)

Claims	31 October 2013	31 October 2012
Opening balance	48.03	48.03
Additions	-	-
Amounts used	-	-
Closing balance	**48.03**	**48.03**

Contingent consideration payable to erstwhile shareholders of a subsidiary (refer note 2.2 and 2.4)*	31 October 2013	31 October 2012
Opening balance	349.73	608.69
Additions	1,676.40	57.45
Amounts used	628.12	316.41
Closing balance	1,398.01	349.73

* Additions during the year ended 31 October 2013 include ₹ 208.41 millions (31 October 2012: ₹ 57.45 millions), pertaining to re-statement of balances.

36. The effect of acquisition in subsidiary companies consolidated with effect from 11 February 2013 on the consolidated financial statements is as follows:

(₹ millions)

Name of Subsidiary	Year ended 31 October 2013	
	Effect on Consolidated Profit/ (Loss)	Effect on Net Assets
Digital Risk LLC.	801.84	2,194.48

37. The details in respect of the jointly controlled operations entered into by the Group as on 31 October 2013 are as follows:

<table>
<tr><th>Sl. No.</th><th>Name of Joint Ventures</th><th>Nature of Project</th><th>Capital Commitments</th></tr>
<tr><td>1</td><td>TechSmart India Private Limited</td><td rowspan="2">The principal activity of this project is setting up enrolment stations, supply/ installation of hardware, maintenance, and biometric data entry for National Population Register project of India.</td><td rowspan="7">MphasiS Group is committed to procure the required fixed assets to service the customers and also provide performance bank guarantees/ earnest money deposits, wherever required.</td></tr>
<tr><td>2</td><td>Swathy Smart Cards Hi-tech Private Limited</td></tr>
<tr><td>3</td><td>Swathy Smart Cards Hi-tech Private Limited</td><td rowspan="2">The principal activity of this project is to deploy equipment/ manpower, and give technology support for collection of door to door data entry for Social Economic Caste Census project in India.</td></tr>
<tr><td>4</td><td>JMK Infosoft Limited</td></tr>
<tr><td>5</td><td>E - Governance Private Limited</td><td rowspan="3">The principal activity of this project is to supply equipment conduct enrollment operations and collect demographic data for issuance of Unique Identification cards in India.</td></tr>
<tr><td>6</td><td>Strategic Outsourcing Services Private Limited</td></tr>
<tr><td>7</td><td>CSS Techenergy Limited</td></tr>
</table>

In respect of the above activities, the Group has advanced ₹ 37.52 millions (31 October 2012: ₹ 41.84 millions) to the said joint venturers.

38. MphasiS Employee Welfare Trust, Mauritius ('MEWT'), was formed in year 2000 to administer the options granted to the employees of MphasiS Corporation when it was acquired by MphasiS Limited. At the time of acquisition, 1,288,787 shares of MphasiS Limited were issued to MEWT to be granted to the employees of MphasiS Corporation in lieu of the options on its shares held by them. The options that were not exercised, lapsed on 11 April 2011. MEWT no longer had a purpose, hence, the cash balance to the extent of ₹ 181.69 millions with MEWT and the sale proceeds of 216,783 shares amounting to ₹ 83.47 millions representing the lapsed options was remitted back during the year ended 31 October 2012. The remittance received has been credited to Capital Reserve. The Company has agreed to indemnify the trustees of MEWT towards any future claims.

39. The Group is eligible for tax benefit in respect of profits generated from special economic zones ('SEZ') under section 10AA of the Income Tax Act, 1961 ('Act'). The management has relied on the explanations provided in the Act and consultant's advice regarding formation of SEZ units and inter unit costs while considering revenue and profits arising from SEZ units for the tax financial year 2012-13. Further, pursuant to introduction of domestic transfer pricing regulation, effective 1 April, 2012, the Group has undertaken a transfer pricing study and analysis of its domestic transactions between the related parties. As a result of above matters, an incremental tax liability of ₹ 86.63 million has been provided during the year ended 31 October 2013 relating to the period 1 April 2012 to 31 January 2013. The management is confident that the provision made in respect of aforementioned matters is adequate.

40. Current tax for the year ended 31 October 2013 include provision for earlier years amounting to ₹ 84.14 millions respectively (year ended 31 October 2012 is net of reversal of provision for earlier years amounting ₹ 180.00 millions respectively).

41. Previous year's figures have been reclassified to conform to this year's classification, wherever applicable.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary,
General Counsel & Ethics Officer

Bengaluru
05 December 2013

Cash Flow Statement for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Cash flow from operating activities		
Profit before tax	**9,951.79**	**10,279.30**
Non-Cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation/ amortization	1,448.29	1,743.72
Loss/ (profit) on sale of fixed assets	(6.12)	(23.50)
Employee stock compensation expense	18.49	61.02
Provision for bad and doubtful debts	226.43	36.89
Interest expense	223.10	72.32
Interest income	(106.71)	(59.02)
Dividend income	(1,249.48)	(1,371.62)
Loss/ (gain) on sale/ revaluation of investments	10.76	(33.37)
Effect of exchange rate changes (gain)/ loss	(38.21)	(204.36)
Operating profit before working capital changes	**10,478.34**	**10,501.38**
Increase/ (decrease) in trade payables	(985.38)	(136.09)
Increase/ (decrease) in provisions	307.18	(108.97)
Increase/ (decrease) in other liabilities	(487.55)	(284.75)
Decrease/ (increase) in trade receivables	654.44	(534.80)
Decrease/ (increase) in loans and advances	(49.33)	804.85
Decrease/ (increase) in other assets	388.90	1,906.35
Cash generated from/ (used in) operations	**(171.74)**	**1,646.59**
Direct taxes paid (net of refunds)	(2,750.25)	(2,490.29)
Net cash flow from operating activities (A)	**7,556.35**	**9,657.68**
Cash flow from investing activities:		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(744.17)	(1,308.73)
Proceeds from sale of fixed assets	83.36	113.53
Purchase of investments	(55,000.42)	(57,559.39)
Sale of investments	61,954.65	51,095.94
Interest received	40.56	54.74
Dividends received	1,249.48	1,371.62
Re-investment of dividend	(767.43)	(930.87)
Investments in bank deposits	(2,244.04)	(131.66)
Redemption/ maturity of bank deposits	114.77	44.22
Payment of earnout liability relating to acquisition of subsidiaries	(628.12)	-
Payment for subsidiary acquisition, net of cash acquired	(9,486.16)	-
Net cash flow used in investing activities (B)	**(5,427.52)**	**(7,250.60)**

Cash Flow Statement for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Cash flow from financing activities		
Proceeds from issue of share capital	0.19	0.71
Proceeds of premium from issue of share capital	1.70	5.37
Receipts from liquidation of trust (refer note 38)	-	265.16
Repayment of secured loan	-	(1.73)
Availment of other loan	4,893.30	-
Payment of capital lease obligation	(2.96)	-
Repayment of unsecured loans (including exchange differences)	(11,952.19)	(7,884.83)
Availment of unsecured loans	8,349.25	8,219.14
Interest paid	(314.61)	(46.93)
Dividends paid (including tax on dividend)	(4,150.12)	(1,586.70)
Net cash flow used in financing activities (C)	**(3,175.44)**	**(1,029.81)**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**(1,046.61)**	**1,377.27**
Effect of exchange rate changes	592.59	(15.98)
Cash and cash equivalents at the beginning of the year	4,052.63	2,691.34
Cash and cash equivalents at the end of the year	3,598.61	4,052.63
Components of cash and cash equivalents		
Cash on hand	0.14	0.07
Balance with banks		
- on current account	2,011.53	2,683.47
- on deposit account	1,580.96	1,364.77
- unclaimed dividend	5.98	4.32
Total cash and cash equivalents (note 19)	**3,598.61**	**4,052.63**

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary,
General Counsel & Ethics Officer

Bengaluru
05 December 2013

Management Discussion and Analysis of Financial Condition and Results of Operations

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.

The following discussion and analysis should be read in conjunction with the Company's Indian GAAP Audited Consolidated financial statements and the notes thereon. All comparisons for the purpose of this discussion and analysis are with reference to the audited financials for the year ended 31 October 2013 and 31 October 2012.

Overview

Mphasis is a global IT services Company head quartered in Bangalore, India. It was formed in the year 2000 through the merger of two IT companies. In June 2006, Electronics Data Systems Corporation (EDS) acquired a majority holding in the equity capital of the Company. In August 2008 EDS was acquired by the Hewlett-Packard Company; consequently, the Company is now a subsidiary of Hewlett-Packard (HP).

The key strategy outlined by the Management and Board of Directors in 2011, has been to accelerate the growth in Direct channel business in Banking and Capital markets and Insurance and grow beyond HP Enterprise Services.

The results of the implementation of this strategy and the degree of success in its implementation is part of the below discussion.

Revenues

The 2013 performance is a reflection of our journey that started in 2011 when collectively the Board chose a strategy of Direct channel driven growth through hyper specialisation in the key focus business segments driven by external and internal stimulus. In line with that strategy, the Company acquired Orlando based Digital Risk LLC (one of the largest independent providers of risk, compliance and transaction management solutions for the US mortgage industry) and this enabled the Company to increase its presence in the Banking and Capital Market segment which has been one of our focus areas. The acquisition increased the contribution of Direct channel business to the overall business and significantly de-risked the client concentration risk.

The revenues for the year grew by 7.5% from ₹ 54,907 million to ₹ 59,041 million. Total Direct channel revenue grew from ₹ 23,906 million in the previous year to ₹ 32,989 million in the current year. The revenues from the HP channel declined on account of the loss of certain clients by HP and also because of shift of certain businesses to HP's captive delivery centres. At the end of the last quarter of this financial year, the share of HP business is at 40% of the overall revenues.

(₹ millions)

Segment	FY13	%	FY12	%
HP channel	26,052	44%	31,001	57%
Mature Market - Direct channel	28,931	49%	17,771	32%
Emerging Market - Direct channel	4,058	7%	6,135	11%
Total	**59,041**	**100%**	**54,907**	**100%**

Management Discussion and Analysis of Financial Condition and Results of Operations

Client concentration based on ultimate customer

Given below is the analysis of Client Concentration.

	FY13	FY12
Revenues from Top Client	9%	9%
Revenues from Top 5 Clients	30%	31%
Revenues from Top 10 Clients	45%	43%
Clients Contributing more than:		
$ 1 million Revenues	117	130
$ 5 million Revenues	41	39
$ 10 million Revenues	21	25
$ 20 million Revenues	11	9

During the year, the Company won several large deals with total contract value of in excess of $250 Mn to be executed over multiple years. Of the 76 new clients that were added during the year, 42 were Direct channel clients.

A segment analysis of the revenues for the current financial year is given below:

(₹ millions)

	FY13	%	FY12	%
Banking and Capital Market	21,308	36%	14,164	26%
Insurance	6,985	12%	6,320	11%
Information Technology, Communication & Entertainment	11,592	20%	14,550	27%
Emerging Industries	19,156	32%	19,873	36%
Total	**59,041**	**100%**	**54,907**	**100%**

Banking and Capital Markets which is one of the focus areas has grown by 50% and the contribution to revenue has increased from 26% in 2012 to 36% of the aggregate revenues in 2013. Insurance segment has grown by 11% during the financial year as we continue to focus on increasing the wallet share from the existing key clients.

The Information Technology, Communication and Entertainment segment has declined during the financial year largely because a very significant portion of revenues from HP-based business which are classified in this segment had declined. The decline in Emerging Industries is largely driven by the Company's decision to exit the India Government business where the collection timelines are putting a strain on the Company's cash-flows and profitability.

Revenues by Geography

(₹ millions)

	FY13	%	FY12	%
AMERICAS	42,230	72%	35,501	65%
EMEA	7,895	13%	8,146	15%
INDIA	4,871	8%	6,698	12%
ROW	4,045	7%	4,562	8%
Total	**59,041**	**100%**	**54,907**	**100%**

Management Discussion and Analysis of Financial Condition and Results of Operations

The acquisition of Digital Risk has increased our presence in the US market and is reflected in the increase in share of Americas revenue. The Company has decided to exit from the India Government business owing to long collection timeline involved which impacts our cash-flows and profitability.

Revenues by Service Type

(₹ millions)

Service Type	FY13	%	FY12	%
Application Maintenance & Other Services	18,505	31%	18,179	33%
Application Development	13,021	22%	14,528	26%
Customer Service	3,105	5%	3,039	6%
Service / Technical Help Desk	2,025	3%	2,127	4%
Transaction Processing Service	2,857	5%	2,890	5%
Infrastructure Management Services	11,527	20%	13,443	24%
Knowledge Processes	7,622	13%	332	1%
License Income	379	1%	369	1%
Total	**59,041**	**100%**	**54,907**	**100%**

Application Maintenance involves maintenance of existing customer software and is mostly undertaken on annuity terms.

Application Development refers to customised software development services based on the requirements and specifications given by customers and documented in a Statement of Work.

Customer Services include receivables collection support, product support, enrolment etc. provided to clients through BPO operations.

Service/Technical Help Desk comprise of inbound and outbound customer interaction programs including technical product support, customer care and allied services.

Transaction Processing includes claims and mortgage processing, account opening and maintenance, data processing and management.

Infrastructure Management Services include end-to-end managed mobility solutions covering workplace management & other support services, hosting services which comprise of mainframe or midrange, application & web hosting services and data centre services focused on migration, automation & other software services.

Knowledge Processes refer to the outsourcing of relatively high-level processes of the customer such as HR processes.

License Income pertains to the income from license sale in the health care space of the Company's product,Javelina, developed by its foreign subsidiary and from Wynsure, a product of Wyde Corporation, acquired by the Company in 2011.

Revenues by Delivery Location

The following tables give the composition of revenues based on the location where services are performed.

(₹ millions)

Delivery Location	FY13	%	FY12	%
Onsite	24,896	42%	17,548	32%
Offshore	34,145	58%	37,359	68%
Total	**59,041**	**100%**	**54,907**	**100%**

The increase in onsite revenue is on account of acquisition of Digital Risk.

Management Discussion and Analysis of Financial Condition and Results of Operations

Headcount * and Utilization

Management has continued its focus upon delivering quality at lower cost. A very important element of this is a sharp improvement in utilization rates which has meant that the same volume of business was delivered with fewer employees. The table below clearly depicts this strategic action.

	FY13	FY12
Onsite		
- Application Services	2,397	2,475
- ITO Services	244	301
- BPO Services	1,909	111
Offshore		
- Application Services	8,868	9,727
- ITO Services	6,631	6,709
- BPO Services	15,525	15,912
Sales and Marketing	363	369
General and Administration	1,119	1,025
Total	**37,056**	**36,629**

* Note: Including billable contractors

Utilization Rates	FY13	FY12
Excluding Trainees		
Onsite		
- Application Services	93%	93%
- ITO Services	94%	84%
Offshore		
- Application Services	87%	83%
- ITO Services	92%	86%
- BPO Services	73%	79%
Blended		
- Application Services	88%	85%
- ITO Services	92%	86%
- BPO Services	73%	79%
Including Trainees		
Onsite		
- Application Services	93%	93%
- ITO Services	94%	84%
Offshore		
- Application Services	85%	78%
- ITO Services	89%	84%
- BPO Services	62%	70%
Blended		
- Application Services	86%	81%
- ITO Services	89%	84%
- BPO Services	62%	70%

Management Discussion and Analysis of Financial Condition and Results of Operations

Revenues by Project Type

(₹ millions)

	FY13	%	FY12	%
Time and Material	51,230	87%	47,519	87%
Fixed Price	7,811	13%	7,388	13%
Total	**59,041**	**100%**	**54,907**	**100%**

Significant revenues are generated principally from services provided on time-and-material (T&M) which are recognised in the period that services are performed.

Cost of Revenues

Cost of revenues primarily comprise of direct costs to revenues and includes direct manpower, travel, facility expenses, network and technology costs.

The consolidated cost of revenues of the Company is ₹ 43,396 million in FY 13 representing an increase of 9.1% over FY12 which is mainly due to Digital Risk. Cost of revenues were 74.9% of revenues compared to 74.3% during the previous financial year.

Selling Expenses

Selling expenses of ₹ 3,052 million for FY13 represented an increase of ₹ 170 million or 5.9% from FY12. Increase in selling expenses is on account of increased focus on Direct channel and reinvestment of the company profits for sales promotion activities in FY13.

General and Administrative Expenses

General and administrative expenses of ₹ 2,401 million for the year FY13 represented an increase of ₹ 304 million or 14.5% from FY12. General and administrative expenses in FY13 stood at 4.1% of revenues.The overall expense increase in current year includes expenses of Digital Risk.

Operating Profit

The operating profit in FY13 increased to ₹ 8,888 million from ₹ 8,766 million in FY12.Operating profit improved by ₹ 122 million in FY13 despite increase in manpower costs due to effective operational leverages.

Other Income

The other income for the year FY13 was ₹ 1,360 million as compared to ₹ 1,478 million in FY12. The reduction is due to provision for Mark to Market loss of ₹ 118 million made during the year. The gain on foreign exchange for FY13 was ₹ 34 million as against a gain of ₹ 182 million in FY12. The lower gain was mainly on account of exchange rate fluctuation arising out of restatement of assets and liabilities.

Interest expenses

Interest expense for FY13 was ₹ 330 million as against ₹ 147 million for FY12. The increase in interest expense was mainly on account of loan taken for the acquisition of Digital Risk.

Income Taxes

Income taxes were ₹ 2,514 million in the year FY13 as compared to ₹ 2,356 million in the year FY12. The effective tax rate has increased to 25.3% in FY13 from 22.9% in FY12 due to increase in surcharge and 2 units came out of the 100% tax holiday in the current financial year.

Net Profit

The net profit after taxes was ₹ 7,438 million for the year FY13, a decrease of ₹ 485 million or 6.1% over the net profit of ₹ 7,923 million in FY12.

Cash provided from financing activities

In FY13, the Company paid ₹ 4,150 million on account of dividend and dividend tax as against ₹ 1,587 million in FY12. In FY13, the Company raised a loan of ₹ 4,893 Million to part fund the acquisition of Digital Risk.

Management Discussion and Analysis of Financial Condition and Results of Operations

Cash and cash equivalents

The Company's cash and bank balances are held in various locations throughout the world. Cash and bank balances comprise of investments in mutual funds and deposits of any kind with banks. These balances also include amounts that are restricted in use, either as margin monies given to banks for guarantees issued in the normal course of business or amounts held in escrow accounts attributable to acquisitions/ commitments made.

An analysis of restricted cash balances as at 31 October 2013 and 2012 is given below.

(₹ millions)

	As at 31 October 2013	As at 31 October 2012
Fixed Deposits - Escrow Account	11	31
Unclaimed Dividends	6	4
Total	**17**	**35**
Restricted cash as a % of total cash balances	**0.3%**	**0.8%**

Company's treasury policy

The Company'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 6 months. Stringent guidelines have been set for de-risking counter party exposures. The Company maintains balances both in Indian Rupee and foreign currency accounts in India and overseas. The investment philosophy of the Company is to ensure capital preservation and liquidity in preference to returns.

Off balance sheet arrangements

As part of its ongoing business, the Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or Special Purpose Entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of 31 October 2013 the Company was not involved in any material unconsolidated SPE transactions.

Directors' Profile

Dr. Friedrich Froeschl, Chairman

Dr. Friedrich Froeschl, Chairman of Board of Directors, joined the Board of MphasiS in March 2009. Dr. Froeschl is a Physicist with PhD and an executive MBA. He currently heads "Hi Tec Invest GmBH & Co. KG", which is a private equity management and consulting company with focus on information and communication technology Industries. Prior to founding Hi Tec Invest in October 2004, Dr. Froeschl was associated with Siemens AG as Corporate Vice President for Corporate Information and Operations (CIO) and as a member of the managing board. He was member of the Board of Siemens Corporation, in the USA, Siemens in China, Fujitsu Siemens Computers in Tokyo. In 1995, he joined Siemens Business Services as the worldwide President & CEO, representing the company in over 40 countries. In 2002, he was appointed as a Member of the Managing Board and Corporate Vice President for Corporate Information and Operations of the entire Siemens organization with almost half a million employees globally. During his career at Siemens, he has been in-charge of multi-billion dollar budgets and covered all ICT related aspects including procurement, cost optimization, e-business and process management. He is also a Director on the Boards of ICT Automotive, Netherlands and IMPAQ AG in Switzerland.

Prior to Siemens, Dr. Froeschl was the CEO of Computer Sciences Corporation, a major global player in IT, Outsourcing and Consulting based in Germany. Before that, he held positions as Vice President and Business Head at Digital Equipment Corporation and Messers chmitt-Bölkow-Blohm (today EADS) respectively. Dr. Froeschl was also a member of the Board of Amadeus in Spain and the Federal Printer (bank notes, passports etc.), Germany. Throughout his career, Dr. Froeschl has been actively involved in both larger multi-billion dollar deals as well as mid-size M&A projects.

Mr. Balu Ganesh Ayyar, Chief Executive Officer

Mr. Balu Ganesh Ayyar joined MphasiS as the CEO in January 2009. Mr. Ayyar is responsible for the overall management of the Company.

Mr. Ayyar joined MphasiS from HP where his last assignment was that of Vice President, Managed Services, Asia Pacific and Japan, leading selective sourcing and small and medium outsourcing deals. At HP, he held several key assignments including being the President of HP India in 1999. He was the co-lead for pre-merger Integration Planning for HP-Compaq Merger for Asia Pacific and Japan. Mr. Ayyar also held the office of Vice President of HP Services for South East Asia and lead customer support, consulting & integration, and Managed Services business. With more than 25 years of experience, Mr. Ayyar's career has spanned across South East Asia (Singapore, Malaysia, Thailand, Philippines, Indonesia, Vietnam and other Asian Emerging Countries) and India.

Mr. Ayyar won the NDTV Profit Business Leadership Awards 2010 in the category of Diversity and Inclusion and the India Talent Management Award at the CNBC TV 18 India Business Leader Awards (IBLA) 2012. He received these awards from the Finance Minister of India. He was also the recipient of the Asia Viewers Choice Award in the 10th CNBC Asia Business Leader Awards 2011.

In June 2013, Mr. Ayyar was recognized for his work and conferred the 'THOUGHT LEADER' by Stars of the Industry.

Born in India, Mr. Ayyar is a Chartered Accountant from Institute of Chartered Accountants of India.

Mr. Davinder Singh Brar, Director

Mr. D S Brar, Director, joined the Board of MphasiS in April 2004. Mr. Brar is a B.E. (Electrical) from Thapar Institute of Engineering & Technology, Patiala and a Masters in Management from Faculty of Management Studies, University of Delhi (Gold Medalist-1974). He started his career with Associated Cement Companies (ACC) and later joined Ranbaxy Laboratories Limited where he rose to the position of CEO and Managing Director.

Mr. Brar is the promoter and director of GVK Bio Sciences Private Limited, Inogent Laboratories Private Limited and Davix Management Services Private Limited. He is also on the Boards of Maruti Suzuki India Limited and Workhardt Limited apart from being a Special Advisor to Kohlberg Kravis Roberts (KKR) and to the Board of Adamas Pharmaceuticals.

Mr. Brar served as a Director on the board of Reserve Bank of India (RBI) between 2000-2007.

Mr. V Ravichandran, Director

Mr. V Ravichandran joined the Board of MphasiS in March 2012. Mr. Ravi is a Commerce Graduate, FCCA (UK) and ACMA (UK). He is Senior Vice President of HP's global business. Mr. Ravi is responsible for developing HP's shared services strategy and its global operating model. His current scope of functions in HP includes managing a multi-function shared service covering finance & accounting, human resources, supply chain, order management (product and services), marketing and communications. He leads a team of more than 17,500 people spread

Directors' Profile

across 15 major centers and co-located in 56 countries including the U.S., India, China, Mexico, Costa Rica, Argentina, Poland, Romania, and Singapore, among others.

Prior to joining HP, Mr. Ravi worked with ANZ Bank's global back office where he was the Managing Director, responsible for managing a team of over 5000 in technology and operations.

Mr. Ravi is an active member of the Shared Services Online Network (SSON), London/Singapore and writes in the Outsource Magazine, UK. He also serves as a Board Member of Floretz Academy Private Limited.

Mr. Chandrakant D Patel, Director

Mr. Chandrakant Patel joined the Board of MphasiS in December 2012. He is an HP Senior Fellow and Chief Engineer at Hewlett Packard Laboratories. A keen observer of technological and societal inflections, Chandrakant has been a pioneer in the design of information technology infrastructures and in the application of information technology to drive energy management at the scale of cities. He has a proven track record of delivering innovations in servers and data centers - from conception and breakthrough technical contributions to business creation and commercialization.

In addition to his multi-disciplinary technical depth, Chandrakant has held a breadth of management and leadership roles. He recently managed HP Laboratories - HP's central research division - where he led the delivery of innovations in storage, networking, print engines, and software platforms. Earlier, Chandrakant was amongst the first to foresee the need to reduce energy consumption in data centers. He subsequently founded the Smart Data Center research program at HP Laboratories. His mantra-"data center is the computer"- led to the design of an 'operating system' for IT infrastructures, and his vision-to reduce energy consumption through need-based dynamic provisioning of IT, power, cooling- has led to a rich portfolio of patents, publications, and products. Later, he charted new directions for the industry in the application of IT to manage Internet-connected physical systems (also known as "cyber physical systems").

A strong advocate of fundamental training in science and engineering, Chandrakant has been an adjunct faculty member at Chabot College, the University of California (U.C.) Berkeley Extension, Santa Clara University, and San Jose State University. A Fellow of the Institute of Electrical and Electronics Engineers (IEEE) and the American Society of Mechanical Engineers (ASME), he has been granted 133 patents and has authored more than 150 papers. He serves on the Electrical Engineering and Computer Science (EECS) Industrial Advisory Board at U.C. Berkeley. Chandrakant holds a Bachelor of Science in Mechanical Engineering from U.C. Berkeley and a Master of Science in Mechanical Engineering from San Jose State University, and is registered as a professional mechanical engineer in the state of California.

Mr. James Mark Merritt, Director

Mr. James Mark Merritt joined the Board of MphasiS in February 2013. He is the Senior Vice President of HP's Enterprise Group business for the Asia Pacific and Japan (APJ) region. In this role, he is responsible for the development and delivery of server, storage, networking and technology services solutions that support HP's Converged Infrastructure strategy. Mr. Merritt also shares responsibility as Managing Director for the APJ region playing a vital role in building on HP's leadership position and delivering on the unmatched potential of "one HP" in the region.

Prior to joining HP, Mr. Merritt spent 13 years at Dell where he held a variety of global and regional management positions. Before moving to HP, he was general manager of Dell's Global Sales Division, where he oversaw the delivery of Dell's enterprise solutions to corporate customers.

Mr. Merritt also spent 15 years with IBM, where he held positions in engineering, service management and product marketing. Before moving to Dell, Mr. Merritt was Vice President of Worldwide Marketing and Strategy for the IBM Server Group.

Mr. Merritt holds a Bachelor of Science degree in Mechanical Engineering from the University of Florida and a Master in Business Administration from Georgia State University.

Mr. Narayanan Kumar, Director

Mr. Narayanan Kumar joined the Board of MphasiS in February 2013. He is the Vice Chairman of the Sanmar Group, a multinational US $ 1 Billion conglomerate headquartered in Chennai, India with manufacturing facilities in India, USA, Mexico and Egypt. The Group is engaged in key business sectors - Chemicals (including Speciality Chemicals), Engineering (Products and Steel Castings) and Shipping.

Directors' Profile

He is the Honorary Consul General of Greece in Chennai.

Mr. Kumar is on the Board of various public companies and carries with him over four decades of experience in the spheres of Electronics, Telecommunications, Technology, Management and Finance. Mr Kumar is the Chairman of National Accreditation Board for Certification Bodies, which is a constituent of Quality Council of India. He is also a member of the Board of Governors of Institute for Financial Management & Research.

As a spokesman of Industry and Trade, he had been a President of CII and participated in other apex bodies. He presently chairs the CII Institute of Quality, Bengaluru.

Mr. Kumar has a wide range of public interests going beyond the confines of corporate management in areas of education, sports, health and social welfare. One special area where he is involved is the Madhuram Narayanan Centre for Exceptional Children.

Mr. Kumar is an Electronics Engineering Graduate from Anna University, Chennai and a fellow member of the Indian National Academy of Engineering. He is an avid golfer and a patron of cricket and tennis. He has extensively travelled across the globe.

Mr. Lakshmikanth K Ananth, Director

Mr. Lakshmikanth K Ananth joined the Board of MphasiS in February 2013. He leads corporate development for the Cloud, Enterprise and Software global business units at Hewlett-Packard. He is responsible for developing strategies and driving all aspects of M&A for businesses with over $40 billion in revenue.

Prior to joining HP, Mr. Lakshmikanth worked in corporate development at Cisco Systems. There, he led multiple transactions including acquisitions, investments, joint ventures and divestitures. Most notably, he led the $2.9 billion acquisition of Starent Networks.

Before Cisco, Mr. Lakshmikanth was a venture capital investor in Silicon Valley, where he invested in several companies such as Cortina Systems, Digital Chocolate, IMVU, Jasper Wireless and Open-Silicon. Previously, he was with 3i private equity in Asia, where he specialized in growth of capital investments in India and formulated 3i's venture capital strategy for that geography. Earlier, he was a Director with Cambridge Technology Partners, managing large product development teams for clients ranging from start-ups to Fortune 50 companies.

Mr. Lakshmikanth holds an MBA with distinction from INSEAD, an MS from Kansas State University and a BE from Guindy Engineering College, India, where he was a Gold Medalist.

Mr. Shankar Maitra, Director

Mr. Shankar Maitra joined the Board of MphasiS in December 2013. Mr. Shankar Maitra is the Vice President of Financial Solutions at HP. In HP, Mr. Maitra is responsible for leading the worldwide finance shared service organization providing accounting and financial systems solutions to various stakeholders within HP.

Prior to joining HP in 2011, he worked for Motorola for 14 years in a variety of worldwide, regional and country finance roles including business partnering, controllership, finance leadership development and facility management. In his last assignment as the Vice President, Global Financial Shared Services-Motorola Solutions, he set up a niche Center of Excellence in Penang, Malaysia.

Mr. Maitra began his career in India with ITC (BAT group) and worked with another Indian conglomerate, Shaw Wallace, gaining multidisciplinary experience as Treasury Head (including IPOs), Factory Controller (including administration and trade union negotiations), as well as core accounting, audit, business planning, costing and tax audit.

He grew up in India and has worked throughout the Asia Pacific region including in India, Singapore, China and Taiwan and currently is based in Singapore.

He is a B.Com graduate from the University of Pune and a fellow member of the Institute of Chartered Accountants of India.

Directors' Report

Dear Shareholders,

We have pleasure in presenting to you the twenty second Annual Report of your Company for the financial year ended 31 October, 2013.

CONSOLIDATED FINANCIAL PERFORMANCE

Key aspects of the financial performance of MphasiS Group are tabulated below:

(₹ million)

Particulars	Year Ended 31 October 2013	Year Ended 31 October 2012
Revenues	59,368	55,254
Profit before taxation	9,952	10,279
Net Profit	7,438	7,923
Provision for Proposed Dividend	3,572	3,572
Tax on Dividend	607	580
Transfer to General Reserve	540	611

A detailed analysis of performance is available in the section headed Management Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

DIVIDEND

Your directors are pleased to recommend a final dividend of ₹17 per equity share of ₹10 each for the year ended 31 October 2013, subject to your approval at the ensuing Annual General Meeting.

OUTLOOK

Customers are transforming the way they operate in response to the volatile economic conditions and fast-changing consumer preferences. As a result, their expectations from their technology spend and consequently, their service providers are changing to reflect the business priorities. While they continue to focus on their core business objectives of revenue growth, cost-efficiency and asset-efficiency, they are also focusing on enhancing the customer experience and responding to their changing preferences better.

Emerging technologies like Mobility and Data & Analytics are driving this transformation. The focus of technology spend is shifting from the back-end to the Customer, where it is being used on real-time basis to enhance customer experience and gain insights into customer behavior to drive growth and differentiation.

Your Company has always been customer-centric and responsive to changing customer needs. In 2013, your Company made rapid strides in emerging technologies - formed a dedicated unit and made significant investments in Mobility and Data & Analytics.

In the Mobility space, we launched Mobile Testing-as-a-Service covering Mobile Application Security Testing, an offering bundled with tools, processes and people in a pay-per-use model. In Digital Marketing, we are building solutions to address the customer experience across channels ranging from mobility to web and social media. In the Analytics space, we are building Data Discovery and Visualization Centre of Excellence and co-investing with our key clients to build industry specific solutions.

We are happy to report that our strategy resonates with our Customers and continues to deliver results. In 2013, our direct business grew 38% year on year and we added 42 direct clients. The business mix between HP and direct channel shifted from 57:43 in 2012 to 44:56 in 2013 thereby, reducing the client concentration risk.

While driving growth, your Company has been equally focusing on sustaining profitability within the band. We have sustained our gross margins at 25.10%. This has been possible because your Company had taken several actions to improve the operational efficiencies. These included consolidation of real estate, better workforce pyramid management, lean initiative and increased utilization across service lines.

Directors' Report

We acquired Digital Risk in February 2013 to strengthen our capabilities in Mortgage Services in the US. During the year, we successfully completed the integration of Digital Risk and won 2 large deals with total contract value greater than $ 200 Million.

During the year, we received recognition from the analyst community on specific offerings in Capital Markets, Wealth Management, BPO services in Banking, European Life Insurance Policy Administration, Insurance Distribution Management Systems for Asia-Pacific region and Insurance billing and collection management solutions.

As we look at the year ahead, we will continue to improve our customer-centricity through strategic partnerships and drive growth in direct business. Towards this, we will;

- Expand service footprint in key clients by understanding their needs and aligning offerings that meets their business objectives.
- Enhance our focus and investments in strengthening key profitable portfolios (Testing, Enterprise Resource Planning, Customer Relationship Management, Mobility, Analytics and Platform Business Processing Outsourcing) to partner with our clients to drive growth, efficiency and customer-centricity.
- Transform delivery to enhance customer value and profitability - through innovation, tools & automation, LEAN and other cost optimization programs.
- Implement "Go-To-Market" transformation initiative aimed at driving higher sales productivity.
- Invest in grooming customer facing talent (delivery and Go-To-Market).

Your Company has witnessed early success in delivering above industry growth in our direct business over the last three years. We are confident of our strategy delivering our medium term goals. Your Company will continue to align with our Customer expectations, build relevant capabilities and engage with employees.

INTELLECTUAL PROPERTY RIGHTS

During the year, your Company has filed its first ever patent application - "Methods and Systems for Least - Cost Routing of Transactions for Merchants". This invention is a result of Company's focus on Banking and Capital Market solutions and is expected to strengthen its offering in this vertical.

OTHER DEVELOPMENTS

Merger of MphasiS FinsourcE Limited

The Board had in its meeting held on 27 September 2013, considering the operational synergies and administrative convenience, approved amalgamation of MphasiS FinsourcE Limited with the Company effective 1 April 2013. Accordingly, the Company is in the process of submitting necessary application to the High Court of Karnataka.

MphasiS FinsourcE Limited, a wholly owned subsidiary of the Company, was formed in June 2006, exclusively for carrying out the outsourcing services for State Bank of India. The merger is approved consequent to non-renewal of the contract by State Bank of India.

Completion of Acquisition of Digital Risk

The Company completed the acquisition of Digital Risk and its subsidiaries in February 2013. The acquisition is the first by MphasiS in the Banking and Capital Markets Industry vertical. With the acquisition of Digital Risk, MphasiS is on its way to attain leadership position in US mortgage services market and has enhanced its on-shore presence in the US Market.

Digital Risk is headquartered in Florida and has about 1950 employees in US.

Change in the Financial year of the Company

The Companies Act, 2013 mandates a uniform financial year ending 31 March for the companies. The Board approved the change in the financial year of the Company from November - October to April - March every year with effect from 1 November 2013, in its meeting held on 27 September 2013. Accordingly, the financial year 2013 -14 will be for a five months period ending 31 March 2014.

Directors' Report

Change in the Registered Office of the Company

Your Company has shifted its Registered Office from Bagmane Technology Park, Byrasandra, C V Raman Nagar, Bengaluru - 560 093 to Bagmane World Technology Center, Marathalli Outer Ring Road, Doddanakhundi Village, Mahadevapura, Bengaluru - 560 048, effective 15 March 2013.

SHARE CAPITAL

The Issued Share Capital of the Company as on 31 October 2013 stood at ₹ 2,101 million and Reserves and Surplus of the Group stood at ₹ 47,243 million.

CORPORATE GOVERNANCE

Your Company strongly believes that the spirit of Corporate Governance fetches beyond the statutory acquiescence. Corporate Governance is a driver of sustainable corporate growth and long term value enhancement for the stakeholders. Your Company endeavors to meet the growing aspirations of the stakeholders and is committed to maintaining highest standards of transparency, fairness, accountability and equity in its operations. Your Company has complied with the requirements of Clause 49 of the listing agreement with the Stock Exchanges. A report on Corporate Governance is annexed to this report.

EMPLOYEES

HR at MphasiS rallied around the foundation of our People Strategy-Autonomy, Purpose and Mastery. This powered, along with the support of the Leadership Team and the MphasiS Winning Culture and Values, us to reach new milestones of success.

Through the course of the year, learning has gone beyond mere learning hours to focus on the relevance of learning by differentiating between mandatory learning, role-relevant competency-based learning and other account / project specific learning. Moreover, there has been an increased focus on Individual Development Plans and Competency Development.

One of the key organizational differentiators in 2013 has been the launch of Integrated Leadership Development (ILD) wherein leadership development and talent management tracks were merged, a holistic perspective to developing a robust leadership pipeline. This approach moves away from the traditional manager-driven process of identifying talent. Leadership credits are earned through an array of leadership behaviors displayed through Action Learning Projects, Workplace Mentoring, Championing Competencies etc. These credits qualify leaders to be assessed on critical competencies to become part of the High Potential pool. Leaders thus identified go through an Accelerated Development program that grooms them for larger roles in the organization. With this approach, the initiative rests with the individual, thus building greater autonomy and mastery towards the end goal of joining the High Potential program.

Other leadership programs such as FLP (Future Leaders Program) and Aarambh have been institutionalized to build a leadership pipelines at different levels in the organization.

Towards our journey to be people processes organization, we reached a landmark this year in April 2013 with the PCMM Level 3 certification. This maturity level signifies that all workforce practices at MphasiS are based on competencies. The Global Learning Team at MphasiS was also recognized for its efforts and awarded two Best-in-Class Learning and Development awards by World HRD Congress: Best eLearning Adopter and Best Frontline Manager Training.

A major area of focus was the engagement of employees. A structured approach was designed to create a climate where employees value, believe-in and enjoy the work they do to help your Company to be successful.

Our total employees strength (inclusive of billable contractors) stands at 37,056 as at 31 October 2013.

EMPLOYEES STOCK OPTION PLAN AND RESTRICTED STOCK UNITS PLANS

Your Company has stock option schemes with the philosophy of encouraging the employees to be partners in the business and to support the growth of the organization by creating value to its stakeholders.

Directors' Report

Your Company's Employee Stock Option Plan is administered through the BFL Employees Equity Reward Trust and the Restricted Stock Unit Plans and MphasiS Employee Stock Option Plan - 2012 are administered through MphasiS Employee Benefit Trust.

The second tranche of Restricted Stock Units granted under Restricted Stock Units Plan 2010 (RSU 2010 Plan) and the first tranche of Stock Options granted under MphasiS Employee Stock Option Plan - 2012 (ESOP 2012 Plan) vested during the year. Pursuant to the exercise applications made by the employees, the Company has transferred, out of the MphasiS Employees Benefit Trust, 45,125 equity shares towards exercise of RSUs under RSU 2010 Plan and 2,350 equity shares towards exercise of options under ESOP 2012 Plan.

Further to the Circulars of the Securities Exchange Board of India dated 17 January 2013 and 13 May 2013 on prohibition of acquisition of shares from secondary market, the Compensation Committee vide its resolutions dated 18 March 2013 and 5 June 2013 approved certain alignments in RSU 2010 Plan and ESOP 2012 Plan. The aligned schemes provides for allotment of shares upon exercise of RSUs / options by the employees. However, in respect of the grants already made under RSU 2010 Plan and ESOP 2012 Plan, the trust would continue to transfer the shares already acquired from the secondary market upon exercise of the RSUs / options by the employees from time to time. As at the date of the report, the MphasiS Employees Benefit Trust held 3,08,765 shares.

Your Company currently has three stock option plans in operation, namely, ESOP 1998 Plan (Version I and II), ESOP 2004 and ESOP 2012 in addition to RSU 2010 Plan. During the year 18,140 shares were allotted under ESOP 1998 Plan (Version I and II) and 1,402 shares were allotted under ESOP 2004, against exercise of options by the employees.

The information to be disclosed as per SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is annexed to this Report.

COMMUNITY OUTREACH

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is not just philanthropic giving, but also about values of collaboration and honoring commitments. It is about setting standards where quality of service and benefit goes directly to the beneficiary, especially those that are marginalized. MphasiS' CSR activities are being carried out through MphasiS F1 Foundation Trust. The CSR at MphasiS focuses on Education, Employability and Entrepreneurship Development. The Trust has supported programs that have impacted the lives of the communities which have remained at the periphery of the development.

The significant CSR initiatives at MphasiS involve programs aimed at promoting quality education of children, providing skill based employment opportunities to semi-educated youth in rural and urban areas and entrepreneurship program aimed at training youth who are school-dropouts, in urban slums of Bengaluru and Chennai.

During the year, MphasiS was awarded the Disability Matters Asia Pacific Award, 2013 by Spring Board Consulting.

Prevention of Sexual Harassment

Your Company's Code of Business Conduct (COBC) provides broad direction as well as specific guidelines for all business transactions. The emphasis is on human rights, prevention of fraudulent and corrupt practices, avoidance of conflict of interest, prevention of Sexual Harassment and unyielding integrity at all times. MphasiS is committed to the provision of a workplace, free of Sexual Harassment ("SH") and to provide a redressal mechanism for all complaints of SH without fear or threat of reprisals in any form or manner whatsoever. The work place in context of SH is not restricted to the office but includes extended work areas such as client place, work related travel, cafeterias and company sponsored events, to name a few.

In compliance with the Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has established an Internal Complaints Committee at all its locations.

GREEN INITIATIVE

In compliance with the Circular of the Ministry of Corporate Affairs (MCA) and to support the green initiative in Corporate Governance, the Company proposes electronic delivery of Notices for General Meetings, Annual Reports and other communication to the members through e-mail.

Directors' Report

The e-mail addresses indicated in the respective Depository Participant (DP) accounts will be deemed to be the registered e-mail address of the members and shall be used for electronic delivery of the documents. Full text of the above said documents will also be displayed on the website of the Company, www.mphasis.com and all other requirements of the aforesaid MCA circular will be duly complied with.

Members holding shares in electronic mode are therefore requested to keep their e-mail addresses updated with the Depository Participant. Members holding shares in physical mode are also requested to participate and support the Company in this initiative by registering their e-mails IDs with the Company.

In case any member would like to receive physical copies of these documents, the same shall be forwarded upon request.

SUBSIDIARIES

As on 31 October 2013, your Company has subsidiaries in Australia, Belgium, Canada, France, Germany, India, Indonesia, Ireland, Mauritius, the Netherlands, Bulgaria, People's Republic of China, Philippines, Poland, Singapore, the United Kingdom and the United States of America.

As the business prospects were not forthcoming in Srilanka, during the year, the Srilankan operations were ramped down. Consequently, after complying with necessary statutory formalities, it is proposed to close MphasiS Lanka (Private) Limited.

As per Section 212 of the Companies Act, 1956, companies are required to attach the directors' report, balance sheet and the statement of profit and loss of their subsidiaries. The Ministry of Corporate Affairs vide its Circular No. 2/2001 dated 8 February 2011 has exempted companies from complying with Section 212 of the Companies Act, 1956. Your Company is in compliance of the section read with the provisions of the circular and will not be attaching the accounts of the subsidiaries. Your Company has presented the consolidated financial statements of the Group. The required information regarding each of the subsidiary is annexed to this report.

The annual accounts of subsidiary companies are available for inspection to the members at the registered office of the Company. A copy of the same shall be sent to the members upon request.

DIRECTORS

The following persons were appointed on the Board of your Company as additional directors:

(a) Mr. Narayanan Kumar and Mr. James Mark Merritt effective 15 February 2013;
(b) Mr. Lakshmikanth K Ananth effective 28 February 2013; and
(c) Mr. Shankar Maitra effective 5 December 2013

Pursuant to the provisions of Section 260 of the Companies Act, 1956 (presently Section 161 of the Companies Act, 2013), the additional directors hold office until the date of the ensuing Annual General Meeting. However, the Company has received notices under Section 257 of the Companies Act, 1956, from a member along with requisite deposit proposing the candidatures of the additional directors to the office of directorship. Accordingly, necessary resolutions in relation to the appointment of the directors are placed before the members at the ensuing Annual General Meeting. The Board recommends the appointment of the directors.

Mr. Francesco Serafini and Mr. Balu Doraisamy resigned from the Board effective 14 February 2013. Mr. Francesco Serafini and Mr. Balu Doraisamy joined the Board in July 2010. Mr. Francesco Serafini was also the Vice Chairman of the Board. Mr. Antonio F Neri resigned from the Board effective closing hours of 5 December 2013. Mr. Antonio F Neri was appointed as a director effective 1 March 2012. He was also the Vice Chairman of the Board.

The Board places on record its appreciation for the valuable services rendered by Mr. Francesco Serafini, Mr. Balu Doraisamy and Mr. Antonio F Neri during their tenure as directors.

Further, in accordance with the Articles of Association of the Company, Dr. Friedrich Froeschl, Mr. V Ravichandran and Mr. Chandrakant D Patel will retire by rotation and are eligible for re-election.

The Board of Directors recommends the re-appointment of Dr. Friedrich Froeschl, Mr. V Ravichandran and Mr. Chandrakant D Patel.

The profiles of the present directors of your Company are provided in the Annual Report.

Directors' Report

DIRECTORS' INTEREST

There was no interest of the directors in the share capital of the Company as at 31 October 2013. No director was materially interested in any contracts or arrangements existing during or at the end of the financial year that was significant in relation to the business of the Company. No director holds any shares or stock option in the Company as on 31 October 2013 except Mr. Balu Ganesh Ayyar, Chief Executive Officer, who holds 17,010 shares and Restricted Stock Units and Stock Options aggregating to 58,000 units.

SIGNIFICANT SHARE HOLDINGS

The following shareholders held more than 5% of the Company's issued share capital as at 31 October 2013:

Name of the Shareholder	***Percentage Owned***
Hewlett Packard Corporation through its wholly owned subsidiaries	60.49%
(EDS Asia Pacific Holdings, EDS World Corporation (Far East) LLC &	
EDS World Corporation (Netherlands)) LLC	
Aberdeen Asset Managers Limited A/C	
Aberdeen Global Indian Equity (Mauritius) Limited	8.80%

DIRECTORS' RESPONSIBILITY STATEMENT

Information as per Section 217(2AA) of the Companies Act, 1956 is annexed and forms part of the Report.

STATUTORY AUDITORS

S R Batliboi & Associates LLP (registration No.101049W), Chartered Accountants, have expressed their willingness to continue in office and a resolution proposing their re-appointment at remuneration to be fixed by the Board of Directors and billed progressively, is submitted at the Annual General Meeting.

As regards the observation made by the Auditors, your directors would like to clarify that the following :

- Management has already taken necessary steps to strengthen the internal control system by integrating the operations of infrastructure business with the mainstream, thereby introducing controls which are applicable for the entire organization.
- The Automated Teller Machine (ATM) thefts have been done by third parties and no employees were involved. Management has taken additional precautions to prevent such thefts. All the ATMs are fully insured against risk of theft.
- The investigation regarding the supply of the leased assets in deviation of the purchase order is in progress and appropriate action will be taken after conclusion of the investigation. Moreover, the vendor who has not supplied items as per specification has agreed to make good the loss to the Company.
- The representations of the vendor to the Income Tax Department regarding the amounts owed by the Company are false and suitable legal proceedings have been initiated against the vendor.
- The investigation regarding the observations on the purchase order pertaining to infrastructure services business in India are currently under progress. As a matter of good governance, the management has initiated an investigation on receipt of observations and the same is under progress.

PARTICULARS OF EMPLOYEES' REMUNERATION

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

Directors' Report

In terms of the Notification No.G.S.R.212(E) dated 24 March 2004 issued by the Department of Company Affairs, Ministry of Finance, Information Technology companies have been exempted from providing the particulars of employees including their remuneration, if they have been posted / working in a country outside India.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company's operations involve low energy consumption. MphasiS is committed on conserving energy. The key facilities have been awarded 5 star, 4 star or 3 star rating by Bureau of Energy Efficiency, Government of India (BEE). The rating is nationally accepted industry benchmark and MphasiS has been the twelfth Company in India to be certified by BEE. The Company has installed lighting energy savers, occupancy sensors, enthalpy system, automatic operation of AC system at data center and solar inverters at certain facilities to minimize power consumption. The carbon foot prints are monitored on a monthly basis and reported to Carbon Disclosure Project (CDP), an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information.

Particulars relating to technology absorption are not applicable. Information relating to foreign exchange earnings or outgo during the year under review is as follows:

(a)	Activities relating to Export	Export of Computer Software related services to Americas, Europe, Asia and Australia
(b)	Initiatives taken to increase the exports	Marketing efforts are being made through the subsidiaries and branches to increase exports.
(c)	Development of new export market for product and services	Marketing efforts are being made in emerging markets
(d)	Total Foreign Exchange used (₹ million)	6,585
(e)	Total Foreign Exchange Earnings (₹ million)	28,999

DEPOSITS

Your Company has not accepted any deposits from the public and as such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

ACKNOWLEDGMENT

Your directors acknowledge with thanks the continued support and valuable co-operation extended by the business constituents, investors, vendors, bankers and shareholders of the Company. Your directors wish to thank Hewlett-Packard Company for their continued support. The directors place on record their appreciation for the support from the Software Technology Parks of India, the Department of Electronics, the Government of India, Governments of Karnataka, Maharashtra, Tamil Nadu, Gujarat, Madhya Pradesh, Chhattisgarh, Pondicherry, Orissa, Reserve Bank of India, other governmental agencies, Trade Associations and NASSCOM.

Your directors would like to place on record their appreciation for the contribution made by the employees of the Company and its subsidiaries and associates.

For and on behalf of the Board of Directors

Bengaluru
5 December 2013

FRIEDRICH FROESCHL
Chairman

Annexure to the Directors' Report

DETAILS OF EMPLOYEES STOCK OPTIONS/RESTRICTED STOCK UNITS AS ON 31 OCTOBER 2013

The details of Employees Stock Option Plan required to be provided as per Clause 12 of the SEBI [Employees Stock Option Scheme and Employee Stock Purchase Scheme] Guidelines, 1999.

Stock Options/ Restricted Stock Units (RSUs) granted to employees of MphasiS Limited & its subsidiaries: (Figures adjusted for 1:1 Bonus Issues made in the years 2003, 2004 and 2005 for ESOP 1998, ESOP 2000, ESOP 2003 and ESOP 2004)

Particulars	ESOP 1998		ESOP 2000	ESOP 2003	ESOP 2004	RSU 2010	ESOP 2012
	Version I	Version II					
Options/RSU's Granted	1,324,552	4,780,000	20,231,844	2,708,800	2,561,152	162,250	567,300
Options Vested (net of Lapsed options which are unexercised)	611,180	2,573,614	10,607,323	2,398,323	1,289,292	124,575	232,775
RSU's Unvested	Nil	Nil	Nil	Nil	Nil	Nil	226,375
Options/RSUs exercised and No. of shares arising out of the exercise	564,180	2,261,926	10,607,323	2,398,323	1,278,336	84,925	2,350
Options/RSUs lapsed [options reverted due to resignations and non-exercise]	713,372	2,206,386	9,624,521	310,477	1,271,860	37,675	108,150
Money realized by exercise of options/ RSUs (₹) (during the FY 2012-2013)	44,281	1,687,313	Nil	Nil	164,539	451,250	964,088
Total No. of Options/RSUs in force	47,000	311,688	Nil	Nil	10,956	39,650	456,800
Pricing formula	Refer Table below						

Note : The details of the Restricted Stock Unit plan 2011 (RSU 2011) of the Company are not required to be disclosed as the plan has expired since 30 June 2012.

Pricing Formulae for the stock option/RSU schemes:

Schemes	*Pricing Formulae*
ESOP 1998 (version I)	No options have been granted under this Scheme during the financial year 2012-2013. Earlier, under this plan the options were granted at a strike price of ₹ 275 per share. The price of ₹ 275 was arrived at based on SEBI Guidelines on Pricing for Preferential Allotment.
ESOP 1998 (version II)	No options have been granted under this Scheme during the financial year 2012-2013. Earlier, for employees in service as on 10 January 2000, the market price prevalent on the 15th day from the Board Meeting held on 10 January 2000 i.e. ₹ 795 per share and for all the recruits thereafter, market price prevalent on the date of joining, unless the ESOP Committee decides otherwise, was taken as the grant price. For options granted from September 2003, the grant price was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, dated 30 June 2003, which was the average of the two weeks high and low price of share preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.
ESOP 2000	No options have been granted under this Scheme during the financial year 2012-2013. Earlier, for employees in the service of the Company as on 25 July 2000, the market price prevalent on 25 July 2000 i.e. ₹ 494.20 per share was taken as the grant price and for employees joining thereafter, the market price prevalent on the last working day of the month in which they join was taken as the grant price. For options granted from September 2003, the grant was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated 30 June 2003, which was the average of the two weeks high and low price of share preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.

Annexure to the Directors' Report

Schemes	*Pricing Formulae*
ESOP 2003	No options have been granted under this Scheme during the financial year 2012-2013. Earlier, for options granted from September 2003, the grant price was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated 30 June 2003 which is the average of the two weeks high and low price of shares preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.
ESOP 2004	No options have been granted under this Scheme during the financial year 2012-2013. Program A The original exercise price as per the original grant made by MsourcE Corporation while granting its options, converted at the exchange rate between USD and INR as on 12 May 2004 and as adjusted for the swap ratio of the MsourcE acquisition and the bonus shares issued by MphasiS Limited after 12 May 2004. Program B The Market Price as per the applicable guidelines prescribed by Securities Exchange Board of India (SEBI) from time to time.*
RSU 2010	No RSUs have been granted under this Scheme during the financial year 2012-2013. In terms of the scheme each of the Restricted stock units granted, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10 per share.
ESOP 2012	No options have been granted under this Scheme during the financial year 2012-2013. In terms of the scheme, each stock options granted, entitles the holder thereof with an option to apply for and be issued one equity share of the company at an exercise price of ₹ 410.25 per share, being the Market Price*.

* *The present Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, defines 'Market Price' as the "latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the company are listed, if the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered."*

Employee Stock Options-Summary:

1.	Options/RSUs granted	:	32,335,898
2.	Options/RSUs vested	:	17,837,082
3.	Options/RSUs unvested	:	226,375
4.	Options/RSUs exercised	:	17,197,363
5.	Options/RSUs lapsed	:	14,272,441
6.	Total No. of options/RSUs in force	:	866,094
7.	Money realized by exercise of options for the financial year 2012-13 (₹)	:	3,311,471

Notes:

1. *During the year under review there has not been any variation to the RSU/ESOP Plans except for certain alignments in RSU 2010 and ESOP 2012 owing to the SEBI Circulars prohibiting acquisition of shares by the ESOP Trusts from Secondary Market.*
2. *There was no grant of options/RSUs to any employees of the Company including the Senior Managerial Personnel.*
3. *As there was no grant of options during the year, the disclosure regarding grant of options equal to or exceeding 1% of the issued capital of the Company is not applicable.*
4. *Details of stock based compensation are given in the Note 32 to the financial accounts.*
5. *Diluted Earnings Per Share [EPS] of the Group for the year, pursuant to issue of shares on exercise of options is ₹ 35.35 (Refer Note 32 of the consolidated financial statements).*
6. *The term Senior Managerial Personnel refers to the Chief Executive Officer of the Company.*

Annexure to the Directors' Report

ADDITIONAL DISCLOSURE AS PER AMENDMENT TO SEBI (EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999 VIDE CIRCULAR DATED 30 JUNE 2003:

Your Company computes employee compensation cost using the intrinsic value of stock options. The impact of the difference on the profits and EPS of the Company for the financial year ended 2012-2013 using the fair value method for the grants made after the notification is given below:

1) a) **Impact on Profit:** (₹ million)

	MphasiS Limited	MphasiS Group
Audited	5,395.14	7,437.97
Adjusted	5,395.14	7,437.97

b) **Impact on EPS:** (₹)

	MphasiS Limited		MphasiS Group	
	Basic	Diluted	Basic	Diluted
Audited	25.68	25.64	35.40	35.35
Adjusted	25.68	25.64	35.40	35.35

Note: The Company has followed fair value method for computing the employee compensation cost for restricted stock options issued under RSU Plan - 2010 and ESOP Plan - 2012 and accordingly, recognized the proportionate cost for the year ended 31 October 2013 in the statement of profit and loss. Hence, no adjustment is required for the audited profit and audited EPS in respect of restricted stock units.

2) **Weighted average exercise price and weighted average fair value of options:**

The exercise price of the stock options is determined as per clause 2.1(10) of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended.

Plan	Weighted Average Exercise Price (₹)	Weighted Average Fair Value (₹)
ESOP 1998 Version I	34.38	27.48
ESOP 1998 Version II	100.13	74.36
ESOP 2004	117.36	32.44
RSU Plan 2010	10.00	635.50
ESOP 2012	410.25	76.45

3) **Method and significant assumptions:**

Your Company has adopted the Black Scholes option pricing model to determine the fair value of stock options.

The significant assumptions are:

1	Risk free interest rate	5.78% to 8.20%	
2	Expected life	1 to 4 years	
3	Expected volatility	40.53% to 69.48%	
4	Expected dividend yield %	0.66% to 1.98%	
5	Market price on date of grant (weighted average) (₹)	ESOP 1998 Version I	34.38
		ESOP 1998 Version II	100.13
		ESOP 2004	117.36
		RSU Plan 2010	10.00
		ESOP 2012	410.25

Annexure to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, your directors confirm and state as follows:

1. That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That your directors have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period under review.
3. That your directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That your directors have prepared the annual accounts on a going concern basis.

DECLARATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement with Stock Exchanges, it is hereby confirmed that for the financial year ended 31 October 2013, the directors of MphasiS Limited have affirmed compliance with the Code of Conduct for Board Members as applicable to them and members of the senior management have also affirmed compliance with the Employee Code of Conduct as applicable to them.

Bengaluru
5 December 2013

BALU GANESH AYYAR
Chief Executive Officer

Annexure to the Directors' Report

Particulars of subsidiaries forming part of the Directors' Report for the year ended 31 October 2013

Information under Section 212(8) of the Companies Act,1956, and forming part of the Directors' Report for the year ended 31 October 2013

(₹ millions)

Subsidiary	Capital			Reserves	Total assets	Total liabilities	Details of investment (Other than in subsidiaries)	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
	Equity	Preference	Total						Profit / (Loss)	Expense / (Credit)		
MphasiS Corporation	0.00	-	0.00	3,731.65	12,557.74	8,826.09	-	15,932.90	737.54	189.35	548.19	-
MphasiS Deutscheland GmbH	2.10	-	2.10	56.87	77.25	18.28	-	87.91	15.66	6.63	9.03	-
MphasiS Australia Pty Limited	0.05	-	0.05	106.28	659.89	553.56	-	2,346.27	168.35	(61.43)	229.78	-
MphasiS (Shanghai) Software & Services Company Ltd	238.76	-	238.76	(198.76)	349.81	309.81	-	387.96	98.66	(13.50)	112.16	-
MphasiS Consulting Limited	1.34	-	1.34	615.18	652.22	35.70	-	239.10	21.58	0.01	21.57	-
MphasiS Belgium BVBA	0.43	-	0.43	71.05	223.17	151.69	-	607.98	64.58	24.99	39.59	-
MphasiS FinsourcE Limited	0.50	-	0.50	(14.08)	152.08	165.66	37.85	342.53	(27.76)	(9.97)	(17.79)	-
MphasiS Europe BV	477.01	-	477.01	11,199.38	11,698.37	21.98	-	252.74	40.91	9.45	31.46	-
MphasiS Pte Ltd	152.86	-	152.86	(106.44)	251.12	204.70	-	554.77	34.69	(22.59)	57.28	-
MphasiS UK Limited	0.24	-	0.24	10,294.44	10,769.63	474.95	-	1,652.81	(30.18)	2.82	(33.00)	-
MphasiS Software & Services (India) Private Limited	100.00	-	100.00	973.85	1,123.35	49.50	169.40	192.13	141.28	37.02	104.26	-
MsourcE Mauritius Inc.	581.68	-	581.68	37.91	627.03	7.44	-	-	(1.19)	-	(1.19)	-
MsourcE (India) Private Limited	66.85	-	66.85	5,099.57	5,858.47	692.05	3,255.47	4,401.97	1,215.71	337.00	878.71	-
MphasiS Ireland Limited	0.56	-	0.56	23.87	28.37	3.94	-	59.09	5.50	1.19	4.31	-
MphasiS Lanka (Private) Limited	6.55	-	6.55	(60.82)	29.68	83.95	-	71.68	7.36	0.02	7.34	-
MphasiS Infrastructure Services Inc.	0.04	-	0.04	(613.30)	362.66	975.92	-	798.32	(232.05)	1.49	(233.54)	-
MphasiS Poland s.p.z.o.o.	-	-	-	(3.05)	2.87	5.92	-	2.16	0.07	-	0.07	-
PT. MphasiS Indonesia	4.60	-	4.60	3.63	14.05	5.82	-	7.38	1.98	0.16	1.82	-
MphasiS Wyde Inc.	0.00	-	0.00	8,915.65	16,308.71	7,393.06	-	-	(184.84)	187.87	(372.71)	-
Wyde Corporation	3.11	-	3.11	(436.88)	535.45	969.22	-	764.01	(45.56)	5.99	(51.55)	-
MphasiS Wyde SASU (formerly MphaiS wyde SAS)	2.53	-	2.53	14.26	247.19	230.40	-	516.00	(179.77)	-	(179.77)	-
Wyde Solutions Canada Inc.	0.00	-	0.00	(6.72)	171.82	178.54	-	174.86	12.05	(19.93)	31.98	-
Wyde Tunisie SARL	5.04	-	5.04	0.02	10.51	5.45	-	-	(0.01)	-	(0.01)	-
MphasiS Philippines Inc	11.34	-	11.34	1.96	43.91	30.61	-	45.18	2.12	0.51	1.61	-
Digital Risk LLC	596.90	-	596.90	5,320.35	6,491.74	574.49	-	5,728.04	1,991.89	-	1,991.89	-
Digital Risk Mortgage Services, LLC	889.20	-	889.20	(734.59)	276.14	121.53	-	1,424.18	(311.46)	-	(311.46)	-
Digital Risk Compliance Services, LLC	-	-	-	(1,985.46)	-	1,985.46	-	-	(83.07)	-	(83.07)	-
Digital Risk Analytics, LLC	-	-	-	(101.92)	4.44	106.36	-	5.83	(57.72)	-	(57.72)	-
Investor Services, LLC	-	-	-	(447.80)	28.89	476.69	-	62.59	(514.97)	-	(514.97)	-
Digital Risk Valuation Services, LLC	-	-	-	(453.04)	76.75	529.79	-	226.14	(222.84)	-	(222.84)	-
Total	**3,141.69**	**-**	**3,141.69**	**41,303.06**	**69,633.31**	**25,188.56**	**3,462.72**	**36,884.53**	**2,668.51**	**677.08**	**1,991.43**	**-**

Note: "Additional information" spans the columns from Capital through Proposed Dividend.

1) The exchange rate applied on the respective overseas entity balances as at 31 October 2013 was INR 61.505/ USD, 49.65/ SGD, 98.5475/ GBP, 58.5/ AUD, 84.03/ EUR, 0.626175/ JPY, 10.1113/ CNY, 58.8425/ CAD, 50.9725/ NZD, 9.5425/ SEK, 68.135/ CHF, 1.4231/ PHP, 0.47/ LKR, 20.1082/ PLN, 0.0055/ IDR, 37.6177/ TND.
2) The Board of Directors of the Company in its meeting held on 27 September 2013 has approved the amalgamation of MphasiS FinsourcE Limited with its Holding Company, MphasiS Limited, 01 April 2013 being the appointed date of merger. The Company is in the process of seeking approvals from The National Stock Exchange of India Limited, Bombay Stock Exchange limited and the Hon'ble High Court of Karnataka.
3) MsourcE India BPO Private Limited has been dissolved and the name has been struck off from the register of Registrar of Companies effective 21 November 2013.

Corporate Governance

I. COMPANY'S POLICY ON CORPORATE GOVERNANCE

MphasiS is committed to the highest standards of Corporate Governance in all its activities and processes and is directed towards enhancement of long-term stakeholder value, keeping in view the interests of stakeholders, viz, Shareholders, Clients, Employees, Suppliers, Society and Regulatory Bodies. The Company strongly believes that the spirit of Corporate Governance fetches beyond the statutory acquiescence. The Company endeavors to meet the growing aspirations of the stakeholders and is committed to maintaining highest standards of transparency, fairness, accountability and equity in its operations. The principles of the governance are well articulated in the Company's Code of Conduct. The Company's Corporate Social Responsibility activities and sustainability initiatives also enunciate the spirits of Corporate Governance.

MphasiS envisions being the best business ally globally and consistently delivering value to all its stakeholders. The vision of growing with the environment and community has been one of the values fostered by the Company. The winning culture that the Company believes in, is to achieve sustained, unprecedented growth by delivering enhanced value to customers, employees, shareholders and the communities we operate in.

The Board recognizes that the governance expectations are constantly evolving and is committed to keep its standards of transparency and dissemination of information under review.

The following is a report on the status and progress on major aspects of Corporate Governance for the year ended 31 October 2013.

II. BOARD OF DIRECTORS

The basic responsibility of the Board is to provide effective governance over the Company's affairs. The Company's business is conducted by its employees under the overall supervision of the Chief Executive Officer, who is assisted by a council of Senior Managerial Personnel in different functions.

(a) Composition of the Board:

As at 31 October 2013, the Board comprises of 9 directors of whom, one is an executive director, five are nominated by Hewlett Packard Corporation (HP), USA and three are Independent Directors.

Mr. Nawshir Mirza, Independent Director, retired from the Board effective 1 February 2013. Mr. Narayanan Kumar was appointed as an additional director in place of Mr. Nawshir Mirza on 15 February 2013. Mr. Kumar is an Independent Director on the Board.

Dr. Friedrich Froeschl, Non Executive Independent Director, is the Chairman of the Board. Mr. Antonio F Neri, Non-Executive Director, was the Vice Chairman of the Board during the year.

(b) Board Procedure:

The Board meets at regular intervals with an annual calendar and formal schedule of matters specifically reserved for its consideration to ensure that the matters in relation to Strategy, Operations, Finance and Compliances are reviewed and monitored. The annual calendar of meetings is communicated to the directors in advance to ensure maximum participation. The Board is regularly apprised on the performances of the Company at the meetings and is provided with necessary information and presentations on the matters concerning the business, compliances and quarterly financials to ensure effective discharge of its responsibility. The Directors of the Company, through their participation in board meetings provide inputs to the management from their relevant fields of knowledge and expertise, viz. Information Technology, Business Process Outsourcing, Finance, Accounting, Marketing and Management Sciences.

The important decisions taken at the meetings are promptly communicated to the respective functionaries for their action. Further, the action items, arising out of the decisions of the Board are followed up and reviewed.

Corporate Governance

Primarily, the Board of Directors oversees and provides policy guidance on the business and affairs of MphasiS, while balancing the interests of different stakeholders. Among other things, the Board undertakes the following:

1. reviews and assesses the business strategy developed by management;
2. reviews and assesses the operational strategy and plans developed by management;
3. is responsible for CEO succession, evaluation & compensation;
4. satisfies itself that the Company is governed effectively in accordance with good Corporate Governance practices;
5. monitors management performance and directs corrections;
6. balances the interests of different stakeholders;
7. reviews and assesses risks facing MphasiS and management approach to addressing such risks;
8. discharges statutory or contractual responsibilities;
9. oversees the reliability of external communications, especially to the shareholders; and
10. oversees the process for compliance with laws and regulations.

(c) Board Meetings held during the year, attendance of directors and particulars of the Directorships, Committee Memberships/Chairmanships:

During the financial year 2012-2013, five meetings of the Board were held on 5 December 2012, 28 February 2013, 29 May 2013, 29 August 2013 and 26 & 27 September 2013. The details of the attendance at the meetings of the Board and at the last AGM together with the particulars of the other directorships, committee memberships/chairmanships, are given below:

Name	Category	Attendance During 2012-2013			Particulars of other Directorships, Committee Memberships/ Chairmanships		
		Board Meetings		Last AGM			
		Number of meetings held during tenure	No. of meetings attended		Other Directorships[1]	Committee Memberships[2]	Committee Chairmanships[2]
Executive Director							
Mr. Balu Ganesh Ayyar	Chief Executive Officer	5	5	Yes	-	1	-
Non-Executive Directors							
Dr. Friedrich Froeschl	Chairman, Independent Director	5	4	Yes	-	1	-
Mr. Antonio F Neri[4]	Vice Chairman, Non-Independent Director	5	2	No	-	-	-
Mr. Davinder Singh Brar	Independent Director	5	3	Yes	2	4	1
Mr. V Ravichandran	Non-Independent Director	5	3	Yes	-	-	-
Mr. Chandrakant D Patel[5]	Non-Independent Director	4	4	No	-	-	-
Mr. Narayanan Kumar[6]	Independent Director	4	4	NA	5	1	3
Mr. James Mark Merritt[6]	Non-Independent Director	4	3	NA	-	1	-
Mr. Lakshmikanth K Ananth[7]	Non-Independent Director	4	4	NA	-	2	-
Ceased to be a Director							
Mr. Gerard Brossard[8]	Non-Independent Director	1	1	NA	NA	NA	NA
Mr. Balu Doraisamy[9]	Non-Independent Director	1	1	Yes	NA	NA	NA
Mr. Francesco Serafini[9]	Non-Independent Director	1	1	No	NA	NA	NA
Mr. Nawshir Mirza[10]	Independent Director	1	1	Yes	NA	NA	NA

NA - Not Applicable

Corporate Governance

Notes:

1. *Does not include directorships in foreign companies, alternate directorships, directorships in private companies and membership in governing councils, chambers and other bodies.*
2. *Includes Memberships/Chairmanships in Audit Committee and Shareholder Grievance Committee of public limited companies, including MphasiS Limited.*
3. *There are no relationships inter-se directors as on 31 October 2013.*
4. *Resigned as a director with effect from 5 December 2013.*
5. *Appointed as an additional director during the year effective 5 December 2012.*
6. *Appointed as additional directors during the year effective 15 February 2013.*
7. *Appointed as an additional director during the year with effect from 28 February 2013*
8. *Resigned as a director with effect from 06 December 2012.*
9. *Resigned as directors with effect from 14 February 2013.*
10. *Retired as a director with effect from 1 February 2013.*
11. *Mr. Shankar Maitra was appointed as an additional director effective 5 December 2013.*

III. COMMITTEES

(a) Audit Committee

The primary function of the Audit Committee, as per its Charter, is to provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders and others relating to:

- overseeing the processes of ensuring the integrity of the Company's financial statements;
- overseeing the processes for compliance with laws and regulations;
- overseeing the process by which anonymous complaints pertaining to financial or commercial matters are received and acted upon;
- enquiring into reasons for default in honoring obligations to creditors and members;
- reviewing the process for entering into related party transactions and related disclosures; and
- Satisfying itself regarding the conformance of CEO's remuneration, expense reimbursements and use of Company assets with terms of his employment and Company's rules and policies.

During the financial year 2012-2013, four meetings of the Audit Committee were held on 4 December 2012, 27 February 2013, 29 May 2013 and 29 August 2013.

The composition of the Committee and the attendance at each of the meetings held during the financial year 2012-2013 are given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Mr. Narayanan Kumar[1], Chairman	3	3
Mr. Davinder Singh Brar	4	2
Dr. Friedrich Froeschl	4	3
Mr. Lakshmikanth K Ananth[2]	1	1
Mr. V Ravichandran[3]	2	1
Mr. Nawshir Mirza[4]	1	1
Mr. Francesco Serafini[5]	1	1

Notes:

1. *Appointed as a member on 15 February 2013 and elected as the Chairman at the Audit Committee meeting held on 27 February 2013.*
2. *Appointed as member on 29 May 2013.*
3. *Appointed as member of the Committee on 15 February 2013 and ceased to be member effective 29 May 2013.*
4. *Ceased to be a member of the Committee with effect from 1 February 2013.*
5. *Ceased to be a member of the Committee with effect from 14 February 2013.*

Corporate Governance

(b) Share Transfer Committee

In order to expedite the requests of the shareholders, in connection with transfers, demats and other related process, the Board constituted a Share Transfer Committee. The Share Transfer Committee of the Board is authorized inter-alia to approve physical transfers/transmissions/transpositions/dematerialization/re-materialization requests, issue of duplicate share certificates, issue of fresh share certificates, release of stop transfer cases etc.

The composition of the Committee is as follows:

Mr. Balu Ganesh Ayyar	-	Chairman
Mr. Davinder Singh Brar	-	Member
Mr. V Ravichandran	-	Member

During the financial year 2012-2013, the Share Transfer Committee passed resolutions approving transfers and other related matters on 25 March 2013, 31 May 2013 and 16 July 2013.

The Company ensures that the transfer of shares is effected within the statutory stipulated time of their due lodgment. The Company has appointed Integrated Enterprises (India) Limited, a SEBI registered Registrar and Transfer Agent, as its Share Transfer Agent.

(c) Compensation Committee

i. Brief description of terms of reference of the Committee, composition and attendance:

In order to provide an oversight of the functioning of the compensation and benefits plans for the employees and directors of the Company, the Board has constituted a Compensation Committee. The Compensation Committee is authorized to review the compensation policies and programs of the Company, approve the compensation matters for the Chief Executive Officer and Senior Management of the Company.

The composition of the Committee is as follows:

Mr. Davinder Singh Brar	-	Chairman
Dr. Friedrich Froeschl	-	Member
Mr. Antonio F Neri	-	Member
Mr. James Mark Merritt	-	Member

Mr. Antonio F Neri was a member of the Committee till 5 December 2013 and ceased to be a member upon his resignation as a director.

The Committee meets based on the business to be transacted. During the year the Committee met 3 times on 4 December 2012, 1 February 2013 and 29 August 2013. The attendance at each of the meetings held during the financial year 2012-2013 is given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Mr. Davinder Singh Brar	3	3
Dr. Friedrich Froeschl	3	2
Mr. James Mark Merritt[1]	1	1
Mr. Antonio F Neri[2]	1	1
Mr. Gerard Brossard[3]	1	1

Notes:

1. *Appointed as a member of the Committee effective 15 February 2013.*
2. *Appointed as a member of the Committee effective 29 May 2013.*
3. *Ceased to be a member of the Committee effective 6 December 2012.*

Corporate Governance

The Committee had vide its resolutions dated 18 March 2013 and 5 June 2013 approved certain amendments to the Restricted Stock Unit Plan 2010 and MphasiS Employees Stock Option Plan 2012 to comply with the Circulars of SEBI, CIR/CFD/DIL/3/2013 dated 17 January 2013 and CIR/CFD/DIL/7/2013 dated 13 May 2013, prohibiting acquisition of shares from the Secondary Market by an ESOP Trust.

During the year, the Compensation Committee vide its resolution dated 5 June 2013 approved exercise of 2,350 stock units under MphasiS Employees Stock Option Plan 2012 (ESOP 2012). The Committee also delegated powers to approve the exercise of ESOPs under ESOP 2012 to certain Senior Executives of the Company.

Pursuant to the delegation made by the Compensation Committee in favour of certain Senior Executives for approving the exercise of Restricted Stock Units under Restricted Stock Units Plan 2010 (RSU 2010), exercise of 45,125 RSUs were approved during the year.

ii. Board of Directors Remuneration Policy

The remuneration policy of the Company is aligned towards rewarding participation in meetings and is in consonance with Industry benchmarks. The objective of the Policy is to attract and retain excellent talent while delivering optimal value to the business.

The Company pays commission to its Independent Non-Executive Directors as per the remuneration matrix approved by the shareholders of the Company. The amount of such commission, taken together for all Independent Non-Executive Directors, does not exceed 1% of the net profits of the Company in any financial year.

Considering the increased responsibilities, participation and attention of the directors to the Business, the Board of directors in its meeting held on 29 May 2013 recommended to the shareholders an increase in the remuneration payable to the Independent Non-Executive Directors effective 1 May 2013. The proposed increase in the remuneration payable to the Independent Non-Executive Directors was approved by the shareholders through postal ballot, the results of which was declared on 8 August 2013.

The revised remuneration matrix, approved by the shareholders, is as follows:

Particulars	Factor	Max Remuneration (₹ Lacs)
Fixed Remuneration - Indian Directors	Flat Fee p.a.	28.00
Fixed Remuneration - Foreign Directors	Flat Fee P.a.	44.00
Variable Remuneration determined based on the following:		
– Board Chairmanship	Flat Fee p.a.	10.00
– Board Meeting Attendance	Per Meeting	0.75
– General Body Meeting Attendance	Per Meeting	0.50
– Audit Chairmanship	Flat Fee p.a.	5.00
– Audit Membership	Per Meeting	0.40
– Compensation Committee Chairmanship	Flat Fee p.a.	1.00
– Compensation Committee Membership Attendance	Per Meeting	0.25
– Strategy Committee Chairmanship	Flat Fee p.a.	1.00
– Strategy Committee Attendance	Per Meeting	0.25

Note : The portions of the remuneration denominated as "Per Meeting" are applicable in respect of the meetings actually held and participated by the Independent Non-Executive Director which is statutorily counted for quorum.

None of the directors are paid any sitting fees for attending the meetings of the Board and Committees thereof on which they are members. The Non Executive Directors other than the Independent Directors do not receive any remuneration from the Company. There was no pecuniary relationship or transaction with any director other than that reported above.

Corporate Governance

iii. Details of Remuneration to the Directors for the financial year 2012-2013

(₹ million)

Name of Director	Salary	Bonus	Benefits / Perquisite	Commission[2]	PF & other Funds	Total
Mr. Balu Ganesh Ayyar[1]	33.22	24.96	10.20	-	1.12	69.50
Dr. Friedrich Froeschl	-	-	-	5.02	-	5.02
Mr. Nawshir H Mirza[3]	-	-	-	0.91	-	0.91
Mr. Davinder Singh Brar	-	-	-	3.28	-	3.28
Mr. Narayanan Kumar[4]	-	-	-	2.69	-	2.69
Total	**33.22**	**24.96**	**10.20**	**11.90**	**1.12**	**81.40**

1 *As per contract executed with Mr. Balu Ganesh Ayyar.*

2. *Commission paid/payable to Non-Executive Directors is in terms of the approval of the shareholders*

3. *Commission paid upto 1 February 2013*

4. *Commission paid effective 15 February 2013*

Mr. Balu Ganesh Ayyar, Chief Executive Officer, holds 58,000 stock options under MphasiS Employees Stock Option Plan 2012, which are yet to be exercised. In terms of the scheme, upon exercise, each of the stock option is eligible for issuance of one equity share of ₹ 10 each. In addition to this, Mr. Balu Ganesh Ayyar holds Restricted Stock Units of the parent company, Hewlett Packard Corporation.

None of the other directors were granted any stock options of MphasiS Limited during the financial year 2012-2013.

iv. Details of shares held by the directors

As on 31 October 2013, none of the directors, except Mr. Balu Ganesh Ayyar, Chief Executive Officer, holds any shares of the Company. As at 31 October 2013, Mr. Balu Ganesh Ayyar holds 17,010 equity shares of the Company.

(d) ESOP Committee

As required under the provisions of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Board of Directors of the Company has constituted an ESOP Committee. The primary function of the Committee is to administer Stock Option Plans of the Company including the grants made thereunder. The Committee comprises of the following members:

Mr. Balu Ganesh Ayyar	-	Chairman
Mr. Davinder Singh Brar	-	Member
Mr. Narayanan Kumar	-	Member

During the financial year 2012-2013, the ESOP Committee has, on a periodic basis, approved exercise of 19,542 equity shares of ₹ 10 each under the ESOP Schemes - 1998 and 2004. The said shares have been duly credited to the employees and listed with the Stock Exchanges.

(e) Investor Grievance Committee

The Company attaches importance to the Investor relations and is committed on redressal of grievances on a timely manner. The Board of Directors of the Company has constituted an Investor Grievance Committee for this purpose. The details of the correspondence with the shareholders including the details of the Investor Grievances, if any, are placed before the Committee members on a monthly basis.

Corporate Governance

The status of Investor Complaints during 2012-2013 is as under:

Complaints as on 1 November 2012	:	Nil
Received during the year	:	6
Resolved during the year	:	6
Pending as on 31 October 2013	:	Nil

The Committee comprises of the following members:

Mr. Davinder Singh Brar	-	Chairman
Mr. Balu Ganesh Ayyar	-	Member
Mr. James Mark Merritt	-	Member
Mr. Lakshmikanth K Ananth	-	Member

Name, Designation and address of Compliance Officer

Mr. A Sivaram Nair
Senior Vice President, Company Secretary, General Counsel & Ethics Officer
MphasiS Limited
Bagmane World Technology Center,
Marathalli Outer Ring Road, Doddannakhundhi Village,
Mahadevapura, Bengaluru - 560 048

(f) Treasury and Operations Committee

Considering the desired focus on the treasury and business operations, the Board has constituted a "Treasury and Operations Committee". The powers and functions of the Committee include, oversight of liquidity management and banking operations, forex risk management, investment portfolio/interest rate risk management, approval for capital expenditure/hardware resale and settlement of legal cases beyond certain limits. The present composition of this Committee is as follows:

Mr. Davinder Singh Brar	-	Chairman
Mr. Balu Ganesh Ayyar	-	Member
Mr. Lakshmikanth K Ananth	-	Member
Mr. Antonio F Neri	-	Member

Mr. Antonio F Neri was a member of the Committee till 5 December 2013 and ceased to be a member upon his resignation as a director.

During the financial year 2012-2013, the Committee passed resolutions on 5 February 2013.

(g) Strategy Committee

The primary function of the Committee is to have an oversight to the Company's strategic planning process, review and advise on strategic proposals, evaluate the potentials for the growth opportunities of the Company etc. and make appropriate recommendations to the Board. The present composition of this Committee is as follows:

Dr. Friedrich Froeschl	-	Chairman
Mr. Antonio F Neri	-	Member
Mr. Balu Ganesh Ayyar	-	Member
Mr. Chandrakant D Patel	-	Member
Mr. Lakshmikanth K Ananth	-	Member

Mr. Antonio F Neri was a member of the Committee till 5 December 2013 and ceased to be a member upon his resignation as a director.

Corporate Governance

During the year, the Strategy Committee met twice on 27 February 2013 and 28 August 2013. The attendance at each of the meetings held during the financial year 2012-2013 are given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Dr. Friedrich Froeschl	2	1
Mr. Antonio F Neri	2	Nil
Mr. Chandrakant D Patel[1]	2	2
Mr. James Mark Merritt[1]	1	Nil
Mr. Lakshmikanth K Ananth[2]	1	1
Mr. Balu Ganesh Ayyar[2]	1	1

[1] *Appointed as a member effective 15 February 2013 .*
[2] *Appointed as a member effective 29 May 2013.*

IV. MEETINGS OF THE SHAREHOLDERS

(a) Location and time of last three AGM

The following is the summary of the Annual General Meetings (AGM) of the Company held during the last three years:

AGM	Date & Time	Venue
Nineteenth Annual General Meeting	24 February 2011 10.00 AM	Taj Gateway Hotel, No. 66, Residency Road, Bengaluru -560 025
Twentieth Annual General Meeting	1 March 2012 10.00 AM	
Twenty First Annual General Meeting	1 February 2013 3:30 PM	Hotel Park Plaza, No. 90/4, Marathahalli Outer Ring Road, Bengaluru -560 037

(b) Special Resolutions transacted at the Annual General Meetings held in the last three years with Voting Pattern:

(i) Approval of “Restricted Stock Unit 2011 Plan” passed unanimously at the nineteenth Annual General Meeting held on 24 February 2011.

(ii) Extension of “Restricted Stock Unit 2011 Plan” to the subsidiary companies, passed unanimously at the nineteenth Annual General Meeting held on 24 February 2011.

(iii) Approval of the Members for payment of remuneration by way of commission not exceeding 1% of the net profits of the Company, to be paid and distributed amongst the non executive directors of the Company, passed unanimously at the Twenty First Annual General Meeting held on 1 February 2013.

(c) Resolutions passed through Postal Ballot :

The members approved revision in the Non-Executive Directors Commission paid to the Independent Directors effective 1 May 2013, through postal ballot. On 8 August 2013, the resolution was passed with a majority of 99.98% of shares voted under the Postal Ballot being in favour.

The above postal ballot was scrutinized by Mr. K Rajashekar (CP No. 2468), a Practicing Company Secretary at Bengaluru, as required under the provisions of Section 192A of the Companies Act, 1956.

Corporate Governance

V. DISCLOSURES

There are no materially significant related party transactions which have potential conflict with the interests of the Company at large.

Related party transactions i.e. material transactions between the Company and its promoters, directors, the management, their relatives, etc. are reported in Note 29 to the financial statements of the Company.

No penalty has been imposed on the Company on any matter relating to Capital Markets by the Stock Exchanges or Securities & Exchange Board of India or any other statutory authority from the date of inception of the Company.

At MphasiS, we have a free and fair channel of communication for concerns about integrity. The objective of the Whistleblower Policy is to provide anyone observing an illegal or unethical practice within the organization, secure means to raise that concern, without fear of retaliation. All companies of MphasiS Group and people associated with the Company viz., Customers, Vendors etc. can raise such concerns through written complaints deposited in drop-boxes at any of our offices, through emails or through the whistleblower hotline numbers.

The Company has complied with all mandatory requirements of the Clause 49 of the Listing Agreement. As regards the non-mandatory requirements, the Company has constituted a Remuneration (Compensation) Committee and established the Whistleblower Policy.

The Company focuses on reflecting the spirit of Corporate Governance in its activities and to that extent recognizes the substance of the Voluntary Corporate Governance Guidelines recommended by the Ministry of Corporate Affairs. As at the date of the report, the Company has complied with recommendations of the Ministry of Corporate Affairs, in the areas of remuneration to the Directors, Whistle Blower, etc. The basic principles of the guidelines are incorporated into the practices of the Company.

VI. INTERNAL CONTROLS

Management is of the opinion that the internal controls in place are sufficient considering the complexity, size and nature of operations of the Company. In addition, the Company uses the services of an external firm to periodically review various aspects of the internal control system to ensure that such controls are operating in the way expected and whether any modification is required. The internal audit function is also reviewed by the Audit Committee of the Board.

VII. MEANS OF COMMUNICATION

The Board of Directors of the Company approves and takes on record the audited quarterly financial results and the results are announced to the Stock Exchanges where the shares of the Company are listed and also to various news agencies pan India. Further, the quarterly and annual audited financial results are also published in leading newspapers within 48 hours of the conclusion of the meetings of the Board in which they are taken on record. Generally, the quarterly results are published in various editions of The Business Standard and Samyukta Karnataka-Kannada. The quarterly and annual results are hosted on the Company's website www.mphasis.com. The website also contains a copy of presentations on the financial results of the Company. The Company's website has in it a separate page for investor's relations, wherein the financial results, shareholding pattern, share price information are hosted for the knowledge of the Investors.

In addition to the above, the Company participates in the earnings call with Investors, Analysts and Broking Houses. The transcripts of the earnings call are hosted on the website of the Company for the information of the other Investors as required under the provisions of the Listing Agreement.

Press briefings are held after important occasions viz., announcement of quarterly results, acquisition of new entity etc. The press releases issued from time to time are informed to the Stock Exchanges where the equity shares of the Company are listed and are also hosted on the Company's website .

The Annual Reports of the Company are available in the website of the Stock Exchanges, in accordance with the provisions of the Circular No. CIR/CFD/DCR/5/2010 dated 7 May 2010.

Corporate Governance

In line with the Circulars of the Ministry of Corporate Affairs (MCA) on 'Green Initiative' allowing paperless compliances by companies, the Company serves documents like Notices, Annual Reports and other statutory communications to its shareholders through e-mail at the registered e-mail addresses. The physical copies of the Annual Report for such shareholders is sent upon request. Members are requested to note that documents sent through the electronic mode will also be available on the Company's website - www.mphasis.com. The Company would like to urge the shareholders to support this initiative of the MCA and contribute towards a greater sustainability by registering their e-mail addresses, if not already registered.

The financial results of the Company, shareholding pattern and the Corporate Governance Report filed with the National Stock Exchange of India Limited (NSE) under the Listing Agreement are also uploaded in NSE Electronic Application Processing System (NEAPS).

The details of directors of the Company are maintained in www.indianboards.com, a specific website maintained by NSE.

VIII. GENERAL SHAREHOLDERS INFORMATION

(a) Details of the AGM

Date
5 February 2014
Time
3:30 pm
Venue
The Chancery Pavilion Hotel, No. 135, Residency Road, Bengaluru - 560 025

Procedure at the AGM
(the procedures captures the applicable provisions of the Companies Act, 2013, which has been notified as at the date of the report)

ATTENDANCE

Every member shall have a right to attend, speak and vote at the Annual General Meeting. A person is considered to be a member of the Company if his/her name appears on the Register of Members or a beneficiary holder in the books of National Securities Depository Limited or the Central Depository Services (India) Limited.

If you intend coming to the meeting:

If you intend coming to the meeting in person, please do complete and bring the Attendance Slip and the copy of your Annual Report. Copies of the Annual Report will not be distributed at the meeting. Kindly note that every joint shareholder can attend and speak at the meeting.

If you do not intend coming in person but would like to appoint someone to act on your behalf:

If you do not wish or are unable to attend the meeting, your vote is still important. We would urge you, regardless of the number of shares you own, to appoint someone to act on your behalf and to vote in the event of a poll. The person so appointed by you is known as a proxy. In case you wish to appoint a proxy, we call upon you to complete, sign and return the accompanying proxy form. However, it may be noted that appointment of a proxy will not preclude yourself from attending the meeting in person. In case you attend the meeting after appointing a proxy, then the proxy shall be deemed to have been revoked.

The accompanying proxy appointment form enables you to appoint person of your choice to act as a proxy on your behalf. However, such person should be capable of entering into contract.

Before completing the form please read the following explanatory notes.

You may appoint more than one proxy. However, only one proxy may attend the meeting. Please date, sign and affix a revenue stamp of Re. 1/- on the proxy form. In case of joint holders any one of the holders can sign.

Corporate Governance

Where the person appointing the proxy is a corporation, the form must be either under its Common Seal or under the hand of a duly authorized officer or attorney and the appropriate power of attorney or other authority must be lodged along with the proxy form.

The proxy to be valid, the proxy form together with any authority must be received at the Registered Office of the Company not later than 3:30 pm on Monday, 3 February 2014.

Attendance Slips

The Members and Proxies are requested to bring their Attendance Slips sent herewith duly completed in all respects. The persons representing the Body Corporate should additionally produce necessary authority executed by the Body Corporate in their favour along with the attendance slip.

PROCEEDINGS AT THE MEETING

Voting By Show of Hands

You should raise your hand, so that the Chairman could see and take count of votes, indicating you are voting either for or against each resolution as the Chairman puts the resolutions to vote. Only shareholders or authorized representatives of corporate shareholders may vote on a show of hands. Proxies cannot vote on show of hands and can do so only in a poll.

Voting on a Poll

As per Article 74 of the Articles of Association, before or on the declaration of the results of the voting on any resolution by a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion or shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company:

1. which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution; or
2. on which an aggregate sum of not less than ₹ 50,000 has been paid up.

For the purpose of voting, staff volunteers would distribute the ballot papers. Please complete the same as per the instructions contained therein and drop it in the ballot boxes kept for the purpose. Valid Proxies can also participate in the poll and cast their ballots.

Voting Rights

Article 76 of the Articles of Association provides as follows with respect to voting rights:

1. Save as hereinafter provided, on a show of hands every member present in person and being a holder of equity shares shall have one vote.
2. Save as otherwise provided, on a poll, the voting rights of a holder of equity shares shall be as specified in Section 87 of the Companies Act, 1956, i.e. one vote for each share held by the member.
3. No company or body corporate shall vote by proxy so long as a resolution of its Board of Directors under the provisions of Section 113 of the Act (the Companies Act, 2013) is in force and the representatives named in such resolution is present at the general meeting at which the vote by proxy is tendered.

As per Article 86 (1), any objection as to the admission or rejection of a vote, either on a show of hands or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive. As per Article 86 (2), no objection shall be raised to the qualification of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed to such meeting shall be valid for all purposes.

Corporate Governance

(b) Financial Year

Effective 1 November 2013, the financial year of the Company has been changed from November - October of every year to April - March of every year. Accordingly, the financial year 2013-2014 will be for a 5 months period ending 31 March 2014. The quarterly and the annual results of the Company will be as follows:

1st Quarter	-	1 November 2013 to 31 January 2014
2nd and final Quarter	-	1 February 2014 to 31 March 2014
Annual Results	-	5 month period ending 31 March 2014

(c) Financial Calendar

Results Announced
5 December 2013
Book Closure Dates
24 January 2014 to 5 February 2014 (both days inclusive)
Posting of Annual Reports
on or before 13 January 2014
Annual General Meeting
5 February 2014
Dividend Payment Date
on or before 6 March 2014

(d) Listing

Equity shares of the Company are listed and traded on the following Stock Exchanges:

Exchange	Address	Scrip Code
Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. Telephone: 022-22721233/34, Fax No.: 022-22721062	526299
The National Stock Exchange of India Limited	Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex, Bandra (E) Mumbai - 400 051. Telephone: 022-26598100-8114. Fax Nos. 022-26598237-38	MPHASIS
MCX Stock Exchange*	Suren Road, Andheri (East), Mumbai - 400 093, India. Telephone: 022-67319000. Fax Nos. 022-67319004	MPHASIS

* Traded as a permitted security on the Exchange.

The Company has paid the listing fee for the year ending 31 March 2014.

(e) Dematerialization of Equity Shares

The Equity Shares of the Company are admitted in the following depositories of the Country under the International Securities Identification Number (ISIN) INE356A01018. This number is required to be quoted in each transaction relating to the dematerialized equity shares of the Company.

Name of the Depository	Address
National Securities Depository Limited	Trade World, A Wing, 4th & 5th Floors, Kamala Mills Compound, Senapathi Bapat Marg, Lower Parel, Mumbai - 400 013.
Central Depository Services (India) Limited	Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Mumbai - 400 001

The Company has paid the custodial charges to the respective depository participant for the year ending 31 March 2014.

Corporate Governance

The Securities & Exchange Board of India has specified that the shares of the Company would be traded only in demat form effective 29 November 1999. Considering the benefits embedded in holding the shares in electronic form, it is recommended that the shares be held in the dematerialized form. As on 31 October 2013, 99.08% shareholders held 99.92% of shares in demat form.

(f) Corporate Identity Number

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India, is L30007KA1992PLC025294 and the Company's Registration Number is 25294.

The Company's Master Data and details of the compliance filings by the Company with the Ministry of Corporate Affairs, Government of India, may be viewed by the members and other stakeholders at www.mca.gov.in (MCA21eServices) using the abovementioned CIN.

(g) Permanent Account Number

The Securities Exchange Board of India (SEBI) has made the Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective the amount of the transaction and further had directed that for securities market transactions and off market transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish a copy of the PAN card to the Company/RTA, as the case may be for registration of transfer of shares. SEBI has also clarified that it shall be mandatory to furnish a copy of PAN in the following cases -

1. Deletion of names of the deceased shareholder(s), where the shares are held in the name of two or more shareholders.
2. Transmission of shares to the legal heir(s), where deceased shareholder(s) were the sole holder(s) of shares.
3. Transposition of shares - when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.

In case of mismatch in PAN card details as well as difference in maiden name and current name (in case of married women) of the investors, the PAN card as submitted by the transferee(s) can be provided by furnishing sufficient evidence in support of the identity of the transferees like passport, Voter Card ID, Driving License, Photo Identity cards issued by Statutory Bodies, Banks, Public Sector Undertakings etc.

(h) Electronic Clearing Service (ECS) Facility for Shareholders

Advancements in the field of electronic payment systems have made facilities for faster disbursements of the dividends to the shareholders. The Reserve Bank of India's Electronic Clearing Service (ECS) facility provides an option to the shareholders to receive the dividends directly in their bank account. Under this option, the Company credits the dividend directly to the shareholders bank account under an advice to the shareholder.

The Securities Exchange Board of India (SEBI) vide its circular No.CIR/MRD/DP/10/2013 dated 21 March 2013 have advised the companies whose shares are listed on the stock exchanges to maintain requisite bank details of the shareholders in order to enable the electronic cash payment.

Some of the benefits available in an ECS facility are as follows:

- The shareholder need not visit the Bank for depositing the physical instruments
- Faster credit of the dividend to the bank account of the shareholder
- Fraudulent encashment of dividend warrants are avoided
- Postal delays and risk of loss of physical warrants are avoided
- Cost effective for the Company
- Reduction in the unclaimed dividend

Corporate Governance

The shareholders holding shares in dematerialized form are urged to verify the Bank Account Number, Bank Name and the IFSC code furnished to the depositories to ensure that the dividend payments made by the Company using the electronic payment options are credited to the correct bank account. Further, the shareholders who have not registered the electronic payment mandate details with their depositories are requested to contact their depository participant and furnish the necessary details to ensure that the funds are directly received to the bank account of the shareholder.

The shareholders holding shares in physical form are urged to register their ECS and other details with the Company by filling in prescribed form. The form in addition to the ECS mandate, also contain the details for registering the e-mail ID, phone number and PAN for better services. The form may be obtained from Integrated Enterprises (India) Limited, the Registrar and Share Transfer Agents of the Company.

(i) Nomination by Shareholders

All individual shareholders of the Company, may at any time, nominate in the prescribed manner, an individual person to whom his/her shares shall vest in the event of his/her death. In case of joint holdings, the shareholders may jointly nominate a person to whom all the rights in their shares shall vest in the event of the death of all the joint holders.

The individual shareholders holding shares in dematerialized form can register their nominations with the respective depository participant. However, shareholders holding shares in physical form are requested to register their nominations by filling the prescribed nomination form which can be obtained from Integrated Enterprises (India) Limited, Registrar and Share Transfer Agents of the Company.

Nomination can be made in favour of Minors also. However, where the nomination is made in the name of a Minor, the name of the guardian is also required to be furnished in the nomination form.

We encourage the shareholders to avail the nomination facility as it would avoid the legal hassles and costs involved in transmission of shares to legal heirs.

(j) Market Quotation

The month wise high low and closing prices and the volume of shares of the Company traded for the period 1 November 2012 to 31 October 2013 on The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) are given below:

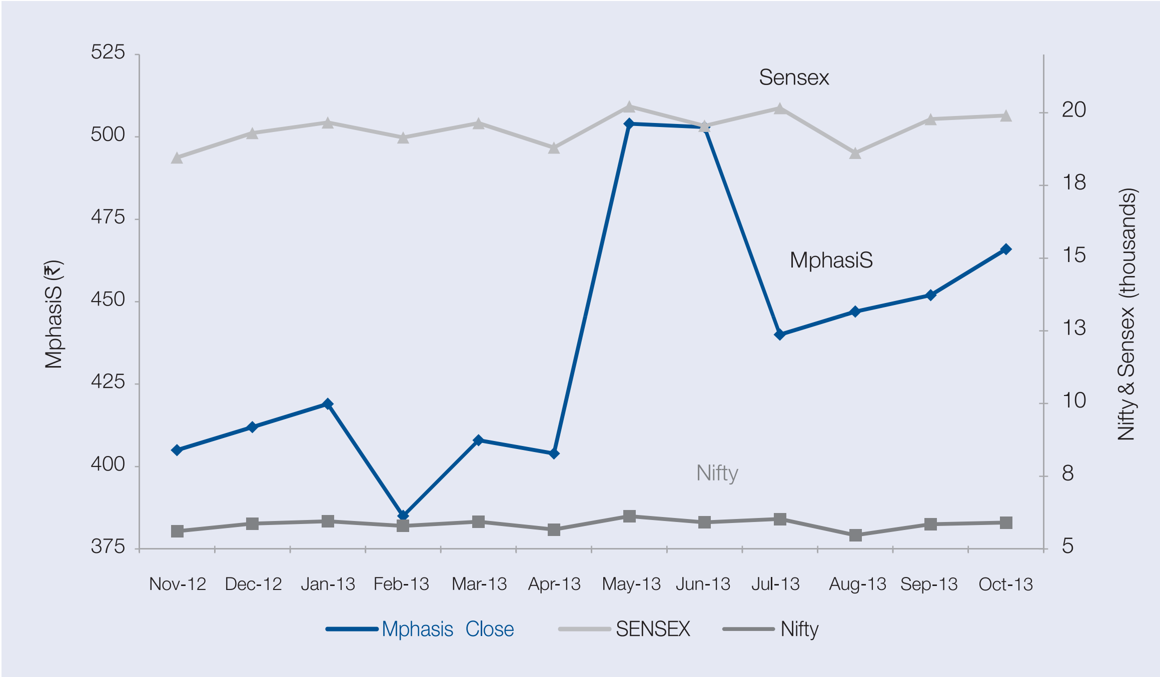
Month	NSE				BSE			
	High (₹)	Low (₹)	Close (₹)	Volume for the month (Shares)	High (₹)	Low (₹)	Close (₹)	Volume for the month (Shares)
November 2012	405	374	388	1,313,751	405	381	388	91,705
December 2012	412	372	384	2,873,152	413	372	383	410,786
January 2013	419	345	373	4,142,413	410	351	373	371,955
February 2013	385	337	379	1,434,105	383	335	374	150,331
March 2013	408	366	392	1,914,425	405	363	392	143,175
April 2013	404	353	374	944,150	405	353	372	56,067
May 2013	514	369	487	5,393,568	513	374	484	1,345,548
June 2013	503	347	372	2,024,875	502	348	371	429,133
July 2013	440	360	401	2,050,809	439	362	400	331,869
August 2013	447	362	421	2,162,182	447	364	424	261,832
September 2013	452	399	439	2,019,164	452	401	436	243,127
October 2013	466	421	423	1,284,130	465	419	425	365,866

The prices have been rounded off to the nearest rupee.

Based on the closing quotation of ₹ 423 per share as at 31 October 2013 at the National Stock Exchange of India Limited, the market capitalization of the Company is ₹ 8,897 crores.

Corporate Governance

Performance of MphasiS Stock vis-à-vis Market Indices



(k) Members' Profile

The shareholding pattern of the members of the Company as on 31 October 2013 is as follows:

Category	Total No. of Shareholders	Total No. of Shares	% to total capital	Physical Shares	Demat Shares
Promoter	3	127,106,266	60.49	-	127,106,266
Foreign Institutional Investors	121	57,354,693	27.29	3,200	57,351,493
Financial Institutions and Banks	20	6,885,103	3.28	-	6,885,103
Mutual Funds	26	1,521,359	0.72	1,600	1,519,759
Bodies Corporate	539	9,858,815	4.69	5,000	9,853,815
Non Resident Indians	646	1,727,894	0.82	-	1,727,894
Resident Indians	27,576	5,291,413	2.52	156,830	5,134,583
Trust	4	311,525	0.15	-	311,525
Clearing Members	157	53,021	0.03	-	53,021
Director	1	17,010	0.01	-	17,010
Total	**29,093**	**210,127,099**	**100.00**	**166,630**	**209,960,469**

Corporate Governance

Distribution of Shareholding as on 31 October 2013

Range	Shareholders		Shares	
No. of Shares	Number	% to total	Number	% to total
1-100	23,209	79.78	739,953	0.35
101-500	3,929	13.50	968,791	0.46
501-1000	908	3.12	708,676	0.34
1001-5000	731	2.51	1,638,436	0.78
5001-10000	118	0.41	845,903	0.40
10001-100000	140	0.48	4,155,796	1.98
100001 & above	58	0.20	201,069,544	95.69
TOTAL	**29,093**	**100.00**	**210,127,099**	**100.00**

Details regarding the shares in the Unclaimed Suspense Account:

Sl. No.	Particulars	No. of shareholders	No. of Shares
1	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the beginning of the year	42	20,750
2	Number of shareholders who approached the issuer for transfer of shares from the unclaimed suspense account during the year*	3	2,600
3	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the end of the year	39	18,150

* Also represents the shareholders to whom shares were transferred.

The voting rights on the shares outstanding in the suspense account as on 31 October 2013 shall remain frozen till the rightful owner of such shares claims the shares.

(l) Address for Communication

Company Contact	RTA Contact
Mr. A Sivaram Nair, Senior Vice President, Company Secretary, General Counsel & Ethics Officer, MphasiS Limited, Bagmane World Technology Center, Marathalli, Outer Ring Road, Doddanakhundi Village, Mahadevapura, Bengaluru -560 048, India Phone: +91 (080) 6750 5000 Fax: +91 (080) 6695 9943	Integrated Enterprises (India) Limited (Unit: MphasiS Limited), 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru - 560 003 Phone: +91 (080) 2346 0815-818 Fax: +91 (080) 2346 0819

Compliance Certificate on Corporate Governance

To
The Members of MphasiS Limited

We have examined the compliances of the conditions of Corporate Governance by MphasiS Limited ('the Company') for the year ended October 31, 2013, as stipulated in Clause 49 of the listing agreements of the Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by The Institute Of Company Secretaries Of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliances of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of Company.

In our opinion and to the best of our information and according to the explanation given to us, the representations and all material disclosures made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned listing agreements.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

S. P. NAGARAJAN
Company Secretary

ACS: 10028
CP No.: 4738

Place : Bengaluru
Date : 5 December 2013

Independent Auditors' Report

To the Members of MphasiS Limited

Report on the Financial Statements

We have audited the accompanying financial statements of MphasiS Limited ("the Company"), which comprise the Balance Sheet as at 31 October 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in the Companies Act, 1956 ("the Act") (read with the General Circular 15/2013 dated 13/9/2013 issued by the Ministry of Corporate Affairs). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 October 2013;
(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards prescribed under the Companies Act, 1956 (read with the General Circular 15/2013 dated 13/9/2013 issued by the Ministry of Corporate Affairs);
   (e) On the basis of written representations received from the directors as on 31 October 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 October 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R.BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Adarsh Ranka
Partner
Membership Number: 209567

Place : Bengaluru
Date : 05 December 2013

Independent Auditors' Report

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: MphasiS Limited ("the Company")

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material discrepancies were noticed on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services *except that the internal control system in respect of purchase and sale of services with regard to infrastructure services business in India needs to be strengthened. Except for the foregoing,* during the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, for the products of the Company.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities. With regard to service tax dues, we also draw reference to Note 12 to the financial statements.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, there are no dues of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except the following:

Name of the statute	Nature of dues	Disputed amount (₹ in million)	Amount paid under protest (₹ in million)	Bank guarantee provided under protest (₹ in million)	Period to which the amount relates (financial year)	Forum where dispute is pending
Income Tax Act, 1961	Adjustment for transfer pricing and other disallowances	2,049.91	-	-	2008-09	Dispute Resolution Panel (DRP)
		1,015.90	327.02	-	2007-08	CIT (Appeals)
		841.69	346.93	-	2006-07	ITAT
		245.93	-	-	2005-06	ITAT
		338.72	123.76	-	2004-05	ITAT
		120.90	-	-	2003-04	ITAT
Income Tax Act, 1961	Non-deduction of TDS	5,363.73	306.96	4,910.28	2005-06 to 2011-12	CIT(Appeals)

Independent Auditors' Report

Name of the statute	Nature of dues	Disputed amount (₹ in million)	Amount paid under protest (₹ in million)	Bank guarantee provided under protest (₹ in million)	Period to which the amount relates (financial year)	Forum where dispute is pending
Income Tax Act, 1961	Disallowances under section 10A	1.56	-	-	2008-09	CIT (Appeals)
		15.49	-	-	2007-08	ITAT
		58.61	41.98	-	2003-04	CIT (Appeals)
		13.37	6.50	-	2005-06	Supreme Court
		103.22	10.00	-	2001-02	Supreme Court
Finance Act, 1994	Service tax	21.92	7.30	-	2005-07	CESTAT, Karnataka

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders. As at year end, the Company did not have any outstanding dues to any financial institution or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) *(a) We have been informed by the management that there were two theft cases of automated teller machines which were installed and maintained by the Company, resulting in loss of ₹ 3.5 million, of which the Company has recovered ₹ 2.3 million from the insurers and is confident that the balance would be recovered from vendors.*

b) We have been informed that a vendor in collusion with an employee of the Company has supplied leased assets to the Company in deviation of the approved purchase order. The Company has initiated investigation and pending conclusion of the matter under investigation, the amount of loss is presently not ascertainable.

c) We have been informed that a vendor has made false representation to the income tax department regarding amounts owed by the Company amounting to ₹ 565 million though such amounts have been paid by/ set-off against receivables of the Company in the normal course of its business. Further, as informed, the vendor has also made false allegation as regards certain other receipts from the Company. The Company, based on legal advice, is of the view that the allegations by the vendor are not tenable and has initiated legal proceedings for the alleged fraudulent conduct of the vendor.

d) We have been informed that based on certain observations in case of a purchase order pertaining to infrastructure services business in India, the management has initiated investigation into contracts pertaining to such business, which is under progress and as such the impact, if any, is presently not ascertainable.

For S.R.BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Adarsh Ranka
Partner
Membership Number: 209567

Place : Bengaluru
Date : 05 December 2013

MPHASIS
an HP company

Balance Sheet as at 31 October 2013

(₹ millions)

	Notes	31 October 2013	31 October 2012
Equity and liabilities			
Shareholders' funds			
Share capital	3	2,101.34	2,101.14
Reserves and surplus	4	35,066.22	34,220.05
		37,167.56	**36,321.19**
Non-current liabilities			
Trade payables	6	36.08	-
Other long-term liabilities	7	0.47	21.55
Long-term provisions	8	275.55	127.90
		312.10	**149.45**
Current liabilities			
Short-term borrowing	5	-	2,690.25
Trade payables	6	5,490.47	5,825.50
Other current liabilities	7	686.42	522.08
Short-term provisions	8	5,850.53	5,414.38
		12,027.42	**14,452.21**
TOTAL		**49,507.08**	**50,922.85**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	595.13	1,103.37
Intangible assets	9	103.53	103.66
Capital work-in-progress		0.59	0.02
Intangible assets under development		34.57	119.25
Non-current investments	10	20,326.30	8,602.82
Deferred tax assets (net)	11	687.88	833.91
Long-term loans and advances	12	4,798.02	2,883.28
Trade receivables	15	383.35	-
Other non-current assets	13	157.37	171.87
		27,086.74	**13,818.18**
Current assets			
Current investments	14	9,374.73	21,181.75
Trade receivables	15	5,369.87	6,212.85
Cash and bank balances	16	2,983.79	1,562.97
Short-term loans and advances	12	1,914.56	4,039.41
Other current assets	13	2,777.39	4,107.69
		22,420.34	**37,104.67**
TOTAL		**49,507.08**	**50,922.85**
Summary of significant accounting policies.	1		

The accompanying notes are an integral part of the financial statements.
As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary,
General Counsel & Ethics Officer

Bengaluru
05 December 2013

Statement of Profit and Loss for the year ended 31 October 2013

(₹ millions)

	Notes	Year ended 31 October 2013	Year ended 31 October 2012
Income			
Revenue from operations	17	33,214.80	34,208.39
Other income	18	1,243.91	1,471.84
Total revenue (I)		**34,458.71**	**35,680.23**
Expenses			
Purchase of traded goods	19	-	428.16
Employee benefits expense	20	15,095.81	15,062.20
Finance costs	21	134.83	119.44
Depreciation and amortization expense	9	798.55	1,143.82
Other expenses	22	11,197.63	11,394.21
Total expenses (II)		**27,226.82**	**28,147.83**
Profit before tax (I) - (II)		**7,231.89**	**7,532.40**
Tax expenses			
Current tax (refer note 38 & 43)		1,716.46	1,519.02
Deferred tax charge/ (credit)		146.05	(70.17)
Minimum alternative tax credit entitlement (for earlier years)		(25.76)	(26.90)
Total tax expense		**1,836.75**	**1,421.95**
Profit for the year		**5,395.14**	**6,110.45**
Earnings per equity share [nominal value of shares ₹ 10 (31 October 2012 : ₹ 10)]	31		
Basic (₹)		25.68	29.09
Diluted (₹)		25.64	29.03

Summary of significant accounting policies. 1

The accompanying notes are an integral part of the financial statements.
As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President & Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary, General Counsel & Ethics Officer

Bengaluru
05 December 2013

Notes to the Financial Statements for the year ended 31 October 2013

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless stated otherwise and comply with the mandatory Accounting Standards ('AS') prescribed under the Companies Act, 1956 (read with the General Circular 15/2013 dated 13/9/2013 issued by the Ministry of Corporate Affairs) and other pronouncements of the Institute of the Chartered Accountants of India ('ICAI') and the related provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

Revenue recognition

The Company derives its revenues primarily from software services & projects, call centre & business process outsourcing operations, infrastructure outsourcing services, licensing arrangement, application services and trading of goods.

Revenues from software services & projects comprise income from time-and-material and fixed price contracts. Revenue from time and material contracts is recognized when the services are rendered in accordance with the terms of the contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from call centre & business process outsourcing operations arise from both time-based and unit-priced client contracts. Such revenue is recognized when the services are rendered in accordance with the terms of the contracts with clients.

Revenues from infrastructure outsourcing services arise from time-based, unit-priced and fixed price contracts. Revenue from time-based and unit-priced is recognized when the services are rendered in accordance with the terms of the contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenue from licensing arrangements is recognized on transfer of the title in user licenses, except those contracts where transfer of title is dependent upon rendering of significant implementation services by the Company, in which case revenue is recognized over the implementation period in accordance with the specific terms of the contracts with clients.

Maintenance revenue is recognized rateably over the period of underlying maintenance agreements.

Revenue from sale of goods is recognized on transfer of significant risks and rewards in accordance with the terms of contract. Revenue is shown as net of sales-tax, value added tax and applicable discounts.

Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. 'Unbilled revenues' included in the current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned revenue' included in the current liabilities represent billings in excess of revenues recognized.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest income is recognized using the time-proportion method, based on underlying interest rates.

Dividend income is recognized when the right to receive the dividend is established.

Fixed assets and capital work-in-progress

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation and write down for impairment if any. Direct costs are capitalised until the assets are ready to be put to use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Fixed assets purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase.

Notes to the Financial Statements for the year ended 31 October 2013

Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and capitalised when it is probable that future economic benefits that are attributable to the asset will flow to the Company.

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

Depreciation and amortization

Depreciation on fixed assets is provided using the straight-line method over the estimated useful lives of assets. Depreciation is charged on a proportionate basis for all assets purchased and sold during the year. Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase. The estimated useful lives of assets are as follows:

For assets used in call center services	
	Years
Buildings	10
Plant and machinery (including telecom equipments)	5
Computer equipment	5
Office equipment	5
Furniture and fixtures	5
Vehicles	3 to 5

For assets used in other services	
	Years
Buildings	10
Plant and machinery	4
Computer equipment	2
Office equipment	3
Furniture and fixtures	4
Vehicles	3 to 5

Assets used for Unique Identification (UID) services have been depreciated over a period of 2 years.

Freehold land is not depreciated. Leasehold improvements are amortized over the remaining lease term or 3 years (5 years for call centre services), whichever is shorter. Significant purchased application software and internally generated software that is an integral part of the Company's computer systems and expected to provide lasting benefits, is capitalised at cost and amortized on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortized on the straight-line method over its estimated life or 7 years, whichever is shorter.

Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases.

Where the Company is lessee, operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Where the Company is lessor, lease income is recognized in the statement of profit and loss on straight line basis over the lease term. Costs are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc, are recognized immediately in the statement of profit and loss.

Profit or loss on sale and lease back arrangements resulting in operating leases are recognized immediately in case the transaction is established at fair value, else, the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used. If the sale price is below fair value, any profit or loss is recognized immediately in the statement of profit and loss.

Borrowing costs

Borrowing costs include interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Notes to the Financial Statements for the year ended 31 October 2013

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in the value of investments is made if the impairment is not temporary in nature.

Employee benefits

Gratuity which is a defined benefit is accrued based on an independent actuarial valuation, which is done based on projected unit credit method as at the balance sheet date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the projected unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

Contributions payable to recognized provident funds, which are defined contribution schemes, are charged to the statement of profit and loss. The Company's liability is limited to contribution made to the fund.

Effective 03 July 2013, the Company has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Provident Fund Trust guarantees a specified rate of return on such contributions on a periodical basis. The Company will meet the shortfall in the return, if any, which is provided for based on actuarial valuation carried out, as per projected unit credit method, as at the date of balance sheet. Also refer note 33(b) of the financial statement.

Stock-based compensation (Equity settled)

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method except for RSU plan 2010 and RSU plan 2011 and Employees Stock Option Plan - 2012 wherein compensation cost is measured based on fair valuation. Compensation expense is amortized over the vesting period of the option on a straight line basis.

Foreign currency

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss of that year.

Notes to the Financial Statements for the year ended 31 October 2013

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date. The resultant exchange differences are recognized in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

Forward contracts are entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transactions. The premium or discount on forward contracts that are entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date arising at the inception of each contract is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the year.

In relation to the forward contracts entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with paragraphs 36 and 37 of AS 11. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting year, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period in which the exchange rates change.

The Company has adopted the principles of AS 30 "Financial Instruments: Recognition and Measurement" in respect of its derivative financial instruments (excluding embedded derivative) that are not covered by AS 11 "The Effects of Changes in Foreign Exchange Rates" and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Company has met all the conditions of AS 30, are fair valued at the balance sheet date and the resultant gain/ loss is credited/ debited to the hedging reserve included in the Reserves and Surplus. This gain/ loss is recorded in the statement of profit and loss when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant gain/ loss has been credited/ debited to the statement of profit and loss for the year.

Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period as specified in the tax laws of the respective countries.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period, is recognized in the period in which the timing differences originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as result of past event and it is probable that an outflow of resources will be required to settle a reliably estimable obligation. Provisions are not discounted to present value and are determined based on best estimate required to settle each obligation at each balance sheet date.

Notes to the Financial Statements for the year ended 31 October 2013

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting obligations under a contract exceed the economic benefits expected to be received, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at each balance sheet date.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been arrived at, assuming that the proceeds receivable were based on shares having been issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that would, if issued, either reduce future earnings per share or increase loss per share, are included.

Inventories

Inventory comprises of traded goods and is measured at lower of cost and net realisable value. Cost includes direct materials and related direct expenses. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

2. DESCRIPTION OF THE COMPANY

MphasiS Limited ('The Company' or 'MphasiS') is a global, multicultural organisation headquartered in Bengaluru, India, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business process outsourcing solutions to clients around the world.

The Company is registered under the Indian Companies Act, 1956 with it's Registered Office in Bengaluru. The Company is listed on the principal stock exchanges of India

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
3.	**SHARE CAPITAL**		
	Authorised shares		
	245,000,000 (31 October 2012: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
	Issued, subscribed and fully paid-up shares		
	210,127,099 (31 October 2012: 210,106,857) equity shares of ₹ 10 each fully paid-up	2,101.27	2,101.07
	Add: Amount originally paid-up on forfeited shares	0.07	0.07
	Total issued, subscribed and fully paid-up share capital	**2,101.34**	**2,101.14**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 October 2013		31 October 2012	
	Number	₹ millions	Number	₹ millions
At the beginning of the year	210,106,857	2,101.07	210,036,045	2,100.36
Issued during the year - Bonus issue	700	0.01	-	-
Issued during the year - Employee stock option plans	19,542	0.19	70,812	0.71
Outstanding at the end of the year	**210,127,099**	**2,101.27**	**210,106,857**	**2,101.07**

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 October 2013, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 17.00 (31 October 2012: ₹ 17.00).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates (₹ millions)

	31 October 2013	31 October 2012
EDS Asia Pacific Holdings, Mauritius (Subsidiary of the ultimate holding company)	830.02	830.02
83,002,201 (31 October 2012: 83,002,201) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Far East) (Subsidiary of the ultimate holding company)	441.04	441.04
44,104,064 (31 October 2012: 44,104,064) equity shares of ₹ 10 each fully paid		
EDS World Corporation LLC (Netherlands) (Subsidiary of ultimate holding company)	0.00	0.00
1 (31 October 2012:1) equity shares of ₹ 10 each fully paid		

The ultimate holding company is Hewlett-Packard Company, USA.

(d) Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	31 October 2013	31 October 2012
Equity shares allotted as fully paid bonus shares by capitalization of securities premium/ statement of profit and loss	6,000	7,400

In addition, the Company has issued total 1,197,935 shares (31 October 2012: 1,487,068) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

Notes to the Financial Statements for the year ended 31 October 2013

(e) **Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	31 October 2013	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity (Mauritius) Limited	18,500,000	8.80

Name of the shareholder	31 October 2012	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity Fund (Mauritius) Limited	18,500,000	8.81

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(f) **Shares reserved for issue under options**

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 4.

(₹ millions)

	31 October 2013	31 October 2012
4. RESERVES & SURPLUS		
Capital reserve		
Balance as per last financial statements	265.16	-
Receipts from liquidation of trust (refer note 36)	-	265.16
Closing balance	**265.16**	**265.16**
Securities premium account		
Balance as per last financial statements	1,553.36	1,546.44
Add: Premium on issue of shares	1.70	5.37
Add: Transferred from stock options outstanding	0.16	1.55
Closing balance	**1,555.22**	**1,553.36**
Employee stock options outstanding		
Balance as per last financial statements	115.33	201.99
Add: Gross compensation for options granted during the year	-	53.13
Less: Transferred to securities premium on exercise of options	0.16	1.55
Less: Exercise of options	20.27	92.29
Less: Reversal on forfeiture/ lapse of options	8.15	45.95
	86.75	**115.33**
Less: Deferred employee stock compensation expense		
Balance as per last financial statements	31.21	85.05
Add: Gross compensation for options granted during the year	-	53.13
Less: Expense for the year including cross-charge to subsidiaries	18.49	61.02
Less: Reversal on forfeiture/ lapse of options	8.15	45.95
	4.57	**31.21**
Closing balance	**82.18**	**84.12**

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
4.	**RESERVES & SURPLUS (Contd...)**		
	General reserve		
	Balance as per last financial statements	4,162.40	3,552.92
	Add: Amount transferred from surplus balance in the statement of profit and loss	539.51	611.05
	Less: Loss on exercise of restricted stock units	-	1.57
	Closing balance	**4,701.91**	**4,162.40**
	Hedging reserve		
	Balance as per last financial statements	(662.43)	(707.08)
	Add/ (Less): Transaction during the year	(1,418.31)	(1,229.24)
	Add/ (Less): Transfer to revenue	1,049.20	1,273.89
	Closing balance	**(1,031.54)**	**(662.43)**
	Surplus in the statement of profit and loss		
	Balance as per last financial statements	28,817.44	27,469.90
	Profit for the year	5,395.14	6,110.45
	Less: Appropriations		
	Final dividend for earlier years	0.45	0.51
	Proposed final equity dividend (amount per share ₹ 17.00 (31 October 2012: ₹ 17.00))	3,572.16	3,571.82
	Tax on proposed equity dividend	607.16	579.53
	Issue of bonus shares	0.01	-
	Transfer to general reserve	539.51	611.05
	Total appropriations	**4,719.29**	**4,762.91**
	Net surplus in the statement of profit and loss	**29,493.29**	**28,817.44**
	Total reserves and surplus	**35,066.22**	**34,220.05**

Employee Stock Option Plans ('ESOP')-Equity settled

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the years ended 31 October 2013 and 31 October 2012 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 32).

Employees Stock Option Plan-1998 (the 1998 Plan): The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan-(Version I) and 1998 Plan-(Version II) during the years 1998-1999 and 1999-2000 respectively.

1998 Plan-(Version I) : Each option granted under the 1998 Plan-(Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

Notes to the Financial Statements for the year ended 31 October 2013

The movements in the options granted under the 1998 Plan-(Version I) for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	48,288	34.38	67,632	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	1,288	34.38	19,344	34.38
Options outstanding at the end	47,000	34.38	48,288	34.38
Exercisable at the end	47,000	34.38	48,288	34.38

The weighted average share price as at the date of exercise for stock options was ₹ 368.35 (31 October 2012: ₹ 386.97). The options outstanding as at 31 October 2013 had an exercise price of ₹ 34.38 (31 October 2012: ₹ 34.38).

1998 Plan-(Version II): Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in the case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan-(Version II) for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	394,642	84.88	515,974	88.91
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	66,102	81.84	82,436	103.55
Exercised	16,852	100.13	38,896	98.72
Options outstanding at the end	311,688	84.70	394,642	84.88
Exercisable at the end	311,688	84.70	394,642	84.88

The weighted average share price as at the date of exercise for stock options was ₹ 375.98 (31 October 2012: ₹ 347.71). The options outstanding as at 31 October 2013 had an exercise price ranging from ₹ 23.21 to ₹ 258.00 (31 October 2012: ₹ 23.21 to ₹ 258.00) and weighted average remaining contractual life of 1.37 years (31 October 2012: 1.93 years).

Employees Stock Option Plan-2000 (the 2000 Plan): Effective 25 July 2000, the Company instituted the 2000 Plan. The shareholders and ESOP Committee approved the 2000 Plan in July 2000. The 2000 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries.

The 2000 Plan is administered by the ESOP Committee appointed by the Board. Under the 2000 Plan, options will be issued to employees at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is one to two years from the date of vesting.

Notes to the Financial Statements for the year ended 31 October 2013

The movements in the options under the 2000 Plan for the year ended 31 October 2012 is set out below:

	Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	26,576	171.66
Granted	-	-
Forfeited	-	-
Lapsed	20,826	169.92
Exercised	5,750	177.97
Options outstanding at the end	-	-
Exercisable at the end	-	-

The weighted average share price as at the date of exercise for stock options for 31 October 2012 was ₹ 362.46. No options were outstanding as on 31 October 2012.

Employees Stock Option Plan-2004 (the 2004 Plan): At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of MsourcE Corporation as on 20 September 2004, pursuant to its merger with MphasiS Corporation and the assumption of the MsourcE stock options by the Company.

The 2004 Plan is administered through the ESOP Committee appointed by the Board and comprises two programs. Under Program A, outstanding options of MsourcE Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the MsourcE 2001 plan, the exercise price being the equivalent amount payable by the option holder under the MsourcE 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the MsourcE 2001 plan.

Options under Program B represent fresh grants and shall be issued to employees at an exercise price which will be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options under the 2004 Plan for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	12,358	117.91	21,506	113.15
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	2,326	184.50
Exercised	1,402	117.36	6,822	80.22
Options outstanding at the end	10,956	117.98	12,358	117.91
Exercisable at the end	10,956	117.98	12,358	117.91

Notes to the Financial Statements for the year ended 31 October 2013

The weighted average share price as at the date of exercise for stock options was ₹ 447.90 (31 October 2012: ₹ 405.29). The options outstanding as at 31 October 2013 had an exercise price ranging from ₹ 50.34 to ₹ 148.07 (31 October 2012: ₹ 50.34 to ₹ 148.07) and weighted average remaining contractual life of 3.02 years (31 October 2012: 3.80 years).

Employees Stock Option Plan-2012 (the 2012 Plan): Effective 14 March 2012, the Company instituted the 2012 Plan. The Board and the shareholders of the Company approved 2012 plan on 20 January 2012. The 2012 plan provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The 2012 plan is administered by the MphasiS Employees Benefit Trust which is created for this purpose. Each option, granted under this plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the 2012 plan for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	500,750	410.25	-	-
Granted	-	-	567,300	410.25
Forfeited	41,425	410.25	66,550	410.25
Lapsed	175	410.25	-	-
Exercised	2,350	410.25	-	-
Options outstanding at the end	456,800	410.25	500,750	410.25
Exercisable at the end	230,425	410.25	-	-

The weighted average share price as at the date of exercise of stock options was ₹ 463.75 (31 October 2012: ₹ Nil).The options outstanding as at 31 October 2013 had an exercise price ₹ 410.25 (31 October 2012: ₹ 410.25) and weighted average remaining contractual life of 2.84 years (31 October 2012: 3.84 years).

The weighted average fair value of stock options granted during the year was ₹ Nil (31 October 2012: ₹ 93.65). The Black-Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	31 October 2013	31 October 2012
Weighted average share price on the date of grant	-	410.25
Exercise Price	-	410.25
Expected Volatility*	-	40.53%
Life of the options granted in years	-	1-2 Years
Average risk-free interest rate	-	8.20%
Expected dividend rate	-	1.50%

* The expected volatility was determined based on historical volatility data.

Total Employee Compensation Cost pertaining to 2012 plan during the year is ₹ 12.87 millions (31 October 2012: ₹ 16.87 millions), net off cross charge to subsidiaries.

Notes to the Financial Statements for the year ended 31 October 2013

Restricted Stock Units

EDS, the holding Company, had issued Restricted Stock Units ('RSU') to certain employees of the Company. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSUs to certain employees of the Company. The total cost reversed towards RSUs for the year ended 31 October 2013 amounted to ₹ 1.48 millions (total cost incurred towards RSUs during year ended 31 October 2012 amounted to ₹ 15.74 millions). However, the cost has been borne by HP and accordingly this has not been accounted as an expense or income by the Company.

Restricted Stock Unit Plan-2010 ("RSU Plan-2010")

Effective 1 August 2010, the Company instituted the Restricted Stock Unit Plan-2010. The Board and the shareholders of the Company approved RSU Plan-2010 on 29 June 2010 and 17 August 2010 respectively. The RSU Plan-2010 provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The RSU Plan-2010 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2010, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is one to three years from the date of vesting.

The movements in the options under the RSU Plan-2010 for the years ended 31 October 2013 and 31 October 2012 are set out below:

	Year ended 31 October 2013		Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	92,100	10.00	145,700	10.00
Granted	-	-	-	-
Forfeited	4,125	10.00	12,750	10.00
Lapsed	3,200	10.00	1,050	10.00
Exercised	45,125	10.00	39,800	10.00
Options outstanding at the end	39,650	10.00	92,100	10.00
Exercisable at the end	39,650	10.00	30,000	10.00

The weighted average share price as at the date of exercise of stock options was ₹ 391.71 (31 October 2012: ₹ 386.35).The options outstanding as at 31 October 2013 had an exercise price of ₹ 10.00 (31 October 2012: ₹ 10.00) and the weighted average remaining contractual life of 1.84 years (31 October 2012: 2.89 years).

Total Employee Compensation Cost pertaining to RSU Plan-2010 during the year is ₹ 3.19 millions (31 October 2012: ₹ 21.64 millions), net of cross charge to subsidiary companies.

Restricted Stock Unit Plan-2011 ("RSU Plan-2011")

Effective 1 April 2011, the Company instituted the Restricted Stock Unit Plan-2011. The Board and the shareholders of the Company approved RSU Plan-2011 on 22 November 2010 and 24 February 2011 respectively. The RSU Plan-2011 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2011 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2011, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ Nil per share. The equity shares covered under these options vest over a period of twelve months from the date of grant. The exercise period is three months from the date of vesting.

Notes to the Financial Statements for the year ended 31 October 2013

The movements in the options under the RSU Plan-2011 for the years ended 31 October 2012 is set out below:

	Year ended 31 October 2012	
	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	250,420	-
Granted	-	-
Forfeited	38,290	-
Lapsed	35,600	-
Exercised	176,530	-
Options outstanding at the end	-	-
Exercisable at the end	-	-

The weighted average share price as at the date of exercise of stock options for 31 October 2012 was ₹ 373.34. No options were outstanding as at 31 October 2012.

Total Employee Compensation Cost pertaining to RSU Plan-2011 during the year is ₹ Nil (31 October 2012: ₹ 9.32 millions), net of cross charge to subsidiary companies.

The Company has advanced an amount of ₹ 140.96 millions (31 October 2012: ₹ 162.65 millions) to the MphasiS Employees Benefit Trust.

(₹ millions)

		31 October 2013	31 October 2012
5.	**SHORT TERM BORROWING**		
	Pre-shipment loan in foreign currency	-	2,690.25
		-	**2,690.25**

Pre-shipment loan carried interest @ 0.9385% p.a. This unsecured loan was repayable along with interest after 3 months from the date of loan and accordingly has been fully repaid during the year.

		Non Current		Current	
		31 October 2013	31 October 2012	31 October 2013	31 October 2012
6.	**TRADE PAYABLES**				
	Trade payables	-	-	4,256.80	4,525.30
	Salary related costs	36.08	-	1,233.67	1,300.20
		36.08	**-**	**5,490.47**	**5,825.50**

The Company has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 October 2013 and 31 October 2012. The details in respect of such dues are as follows:

Particulars	31 October 2013	31 October 2012
The principal amount remaining unpaid to any supplier	10.20	1.24
The amount of interest due and remaining unpaid to any supplier	9.96	5.94
The amount of interest paid by the Company along with the amount of the payments made to the supplier beyond the appointed day	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year)	3.18	3.52
The amount of interest accrued and remaining unpaid at the end of the year	Nil	Nil
The amount of further interest remaining due and payable for the earlier years	5.94	1.99

Notes to the Financial Statements for the year ended 31 October 2013

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
7. OTHER LIABILITIES				
Advances from clients	-	-	30.24	10.11
Unearned revenue	-	-	69.85	52.55
Rent equalisation reserve	-	21.55	5.88	8.32
Statutory dues	-	-	205.71	208.72
Capital creditors	-	-	35.49	18.34
Other payables *	0.47	-	333.27	117.73
Unpaid dividend **	-	-	5.98	4.32
Restatement of forward cover	-	-	-	101.99
	0.47	**21.55**	**686.42**	**522.08**

* The above amount includes ₹ 17.06 millions (31 October 2012: ₹ 17.06 millions) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 37].

** Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due.

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
8. PROVISIONS				
Provision for employee benefits				
Provision for gratuity (refer note 33(a))	-	63.90	370.71	100.00
Provision for employee compensated absences	-	-	158.16	136.84
	-	**63.90**	**528.87**	**236.84**
Other provisions				
Proposed equity dividend	-	-	3,572.16	3,571.82
Provision for tax on proposed equity dividend	-	-	607.09	579.44
Provision for taxation	-	-	385.56	249.97
Provision for mark to market loss on derivative contracts	275.55	64.00	756.85	776.31
	275.55	**64.00**	**5,321.66**	**5,177.54**
	275.55	**127.90**	**5,850.53**	**5,414.38**

Notes to the Financial Statements for the year ended 31 October 2013

9. TANGIBLE AND INTANGIBLE ASSETS

(₹ millions)

	Tangible Assets									Intangible Assets			
	Freehold land	Buildings	Plant and equipment	Computer equipment	Office equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total of Tangible Assets	Computer software	Purchase goodwill	Total of Intangible Assets	Total
Cost													
At 1 November 2011	27.38	1.23	1,121.48	2,056.58	1,002.82	904.10	110.46	1,444.88	6,668.93	409.73	30.01	439.74	7,108.67
Additions	-	-	73.83	178.14	91.48	47.22	39.94	204.72	635.33	62.24	-	62.24	697.57
Disposals	-	(1.23)	(145.19)	(191.32)	(47.27)	(413.13)	(40.73)	(298.19)	(1,137.06)	(0.17)	-	(0.17)	(1,137.23)
At 31 October 2012	27.38	-	1,050.12	2,043.40	1,047.03	538.19	109.67	1,351.41	6,167.20	471.80	30.01	501.81	6,669.01
Additions	-	-	51.04	70.70	43.35	7.90	30.34	35.31	238.64	81.09	-	81.09	319.73
Disposals	-	-	(70.85)	(453.15)	(33.20)	(78.13)	(27.55)	(116.51)	(779.39)	(259.75)	-	(259.75)	(1,039.14)
At 31 October 2013	27.38	-	1,030.31	1,660.95	1,057.18	467.96	112.46	1,270.21	5,626.45	293.14	30.01	323.15	5,949.60
Depreciation													
At 1 November 2011	-	1.23	760.83	1,495.68	831.71	774.98	38.03	1,189.14	5,091.60	298.60	30.01	328.61	5,420.21
Charge for the year	-	-	192.20	443.94	153.08	96.26	21.24	167.48	1,074.20	69.62	-	69.62	1,143.82
Disposals	-	(1.23)	(135.25)	(188.60)	(47.11)	(406.61)	(26.03)	(297.14)	(1,101.97)	(0.08)	-	(0.08)	(1,102.05)
At 31 October 2012	-	-	817.78	1,751.02	937.68	464.63	33.24	1,059.48	5,063.83	368.14	30.01	398.15	5,461.98
Charge for the year	-	-	119.68	289.83	105.68	37.83	21.47	142.84	717.33	81.22	-	81.22	798.55
Disposals	-	-	(65.87)	(451.91)	(33.01)	(73.83)	(11.63)	(113.59)	(749.84)	(259.75)	-	(259.75)	(1,009.59)
At 31 October 2013	-	-	871.59	1,588.94	1,010.35	428.63	43.08	1,088.73	5,031.32	189.61	30.01	219.62	5,250.94
Net Block													
At 31 October 2012	27.38	-	232.34	292.38	109.35	73.56	76.43	291.93	1,103.37	103.66	-	103.66	1,207.03
At 31 October 2013	27.38	-	158.72	72.01	46.83	39.33	69.38	181.48	595.13	103.53	-	103.53	698.66

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
10.	**NON-CURRENT INVESTMENTS**		
	Long Term - Unquoted (trade), at cost		
	In subsidiaries		
	MphasiS USA	3,724.46	3,724.46
	3,187 (31 October 2012: 3,187) shares of common stock of US $ 0.01 each fully paid-up		
	MphasiS Australia	0.05	0.05
	2,000 (31 October 2012: 2,000) shares of common stock of Australian $ 1 each fully paid-up		
	MphasiS GmbH	2.52	2.52
	Nominal capital 91,000 Deutsche Mark (31 October 2012: 91,000 Deutsche Mark)		
	Less: Provision for diminution in value of investment	(2.52)	(2.52)
	MphasiS China	105.35	105.35
	100% (31 October 2012: 100%) equity interest		
	MphasiS FinsourcE	0.50	0.50
	50,000 (31 October 2012: 50,000) equity shares of ₹ 10 each fully paid-up		
	MphasiS Consulting	685.65	685.65
	7,953,393 (31 October 2012: 7,953,393) ordinary shares of £ 0.002 each fully paid-up		
	MphasiS Ireland	0.59	0.59
	10,000 (31 October 2012: 10,000) shares of common stock of € 1 each fully paid-up		
	MphasiS Belgium	0.39	0.39
	62 (31 October 2012: 62) shares of common stock of € 100 each fully paid-up		
	MphasiS Lanka	6.65	6.65
	150,000 (31 October 2012: 150,000) shares of common stock of LKR 112.10 each fully paid-up		
	Less: Provision for diminution in value of investment (refer note 41)	(6.65)	-
	PT MphasiS Indonesia	4.38	4.38
	99,000 (31 October 2012: 99,000) shares of common stock of US $ 1 each fully paid-up		
	In fellow subsidiaries		
	MphasiS Europe BV	9,647.64	4,074.80
	3,381,654 (31 October 2012: 1,471,769) shares of common stock of € 1 each fully paid-up		
		14,169.01	**8,602.82**
	Unquoted mutual funds*		
	Birla Sun Life Dynamic Bond Fund - Retail Plan	1,238.01	-
	118,344,866 units at ₹ 10.4610 (31 October 2012: Nil units)		
	Kotak Bond Scheme Plan A - Dividend	973.59	-
	93,053,157 units at ₹ 10.4627 (31 October 2012: Nil units)		
	HDFC Income Fund - Dividend	968.04	-
	85,598,006 units at ₹ 11.3091 (31 October 2012: Nil units)		
	Reliance Dynamic Bond Fund	980.81	-
	94,518,133 units at ₹ 10.3770 (31 October 2012: Nil units)		
	IDFC - Dynamic Bond Fund	501.34	-
	49,021,826 units at ₹ 10.2268 (31 October 2012: Nil units)		
	ICICI Prudential Short term - Regular Plan	1,495.50	-
	125,184,619 units at ₹ 11.9464 (31 October 2012: Nil units)		
		6,157.29	**-**
		20,326.30	**8,602.82**
	Aggregate provision for diminution in value of investment	9.17	2.52

* Effective 01 July 2013, the Company has re-assessed its intention to hold certain investments in mutual funds held as current to a period more than twelve months and accordingly, investments aggregating to ₹ 8,028.22 millions were classified as non-current investments on the said date at lower of cost and fair value. Subsequently investments aggregating to ₹ 1,870.93 millions have been sold.

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

		31 October 2013	31 October 2012
11.	**DEFERRED TAX ASSETS (NET)**		
	Depreciation and amortization expense: Difference between tax depreciation and depreciation/ amortization as per statement of profit and loss	552.76	638.84
	Provision for doubtful debts and advances	99.41	24.76
	Provision for employee benefits	34.96	167.88
	Others	0.75	2.43
		687.88	**833.91**

		Non Current		Current	
		31 October 2013	31 October 2012	31 October 2013	31 October 2012
12.	**LOANS AND ADVANCES**				
	Unsecured - considered good				
	Capital advances	3.02	30.54	-	-
	Security deposit				
	- Premises	590.30	630.74	30.62	19.79
	- With government authorities	7.31	9.34	-	4.21
	- Others	555.11	119.31	2.18	0.62
	Loans to employees	-	-	0.09	-
	Loan to ESOP trust	-	6.35	140.96	156.30
	Advances recoverable in cash or kind				
	- Prepaid expenses	35.97	55.91	303.97	122.26
	- Employee advances	-	-	14.11	14.49
	- Advance to supplier	-	-	59.95	150.58
	Balance with statutory/ government authorities *	1,437.18	423.93	175.08	1,518.33
	Advance income-tax (net of provision for taxation)	1,301.97	747.75	-	-
	MAT Credit entitlement **	867.16	859.41	313.01	425.96
	Recoverable from subsidiaries	-	-	828.46	1,573.07
	Loans given to MphasiS Lanka Private Limited	-	-	46.13	53.80
		4,798.02	**2,883.28**	**1,914.56**	**4,039.41**

* Balances with statutory/ government authorities include service tax input credit receivable, (net) of ₹ 1,608.14 millions (31 October 2012: ₹ 1,941.02 millions). Based on legal opinion obtained by the Company, service tax liability on imported services under "Import of Services Rules" have been discharged using accumulated balance available in CENVAT Credit Account for the period 01 December 2010 to 31 March 2011. Effective 1 April 2011 such position is reversed and service tax liability on select imported services under "Import of Services Rules" have been discharged in cash. Further, the Company has obtained legal opinions in support of its position on non applicability of Sec 66A of the Finance Act, 1994 read with "Import of Services Rules" on onsite services provided by foreign vendors (including group companies).

The management, per the legal opinion, is confident that the legal positions taken by the Company are tenable and defendable under law.

** net of MAT credit utilisation of ₹ 130.96 millions (31 October 2012: ₹ 480.39 millions).

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

		Non Current		Current	
		31 October 2013	31 October 2012	31 October 2013	31 October 2012
13.	**OTHER ASSETS**				
	Non-current bank balances (refer note 16)	86.39	86.39	-	-
	Unbilled revenue	-	-	2,609.90	3,890.84
	Accrued interest	-	-	35.84	5.93
	Rent equalisation reserve	70.12	-	-	-
	Restatement of forward cover	-	-	14.43	-
	Mark to market gains on forward cover	0.86	85.48	-	92.39
	Expense incurred on behalf of customers	-	-	117.22	118.53
		157.37	**171.87**	**2,777.39**	**4,107.69**

		31 October 2013	31 October 2012
14.	**CURRENT INVESTMENTS ***		
	Unquoted mutual funds		
	Birla Sun Life Cash Plus	2,192.32	305.35
	21,880,498 units at ₹ 100.1950 (31 October 2012: 3,047,527 units at ₹ 100.1950)		
	ICICI Prudential Interval Fund II Quarterly Interval Plan B	300.00	-
	29,989,504 units at ₹ 10.0035 (31 October 2012: Nil units)		
	ICICI Prudential Liquid - Direct Plan	981.43	-
	9,809,049 units at ₹ 100.054 (31 October 2012: Nil units)		
	UTI Treasury Advance Fund - Institutional Plan	4,938.66	-
	4,927,059 units at ₹ 1002.3539 (31 October 2012: Nil units)		
	IDFC Money Manager Fund - Invest Plan	492.32	-
	48,973,135 units at ₹ 10.0528 (31 October 2012: Nil units)		
	HDFC 90D August 2013 (1) Series 27- Regular	470.00	-
	47,000,000 units at ₹ 10.00 (31 October 2012: Nil units)		
	ICICI Prudential LTP - Premium Plus	-	200.00
	Nil units (31 October 2012: 16,705,786 units at ₹ 11.9719)		
	ICICI Prudential Short Term Plan	-	767.24
	Nil units (31 October 2012: 62,645,158 units at ₹ 12.2473)		
	Birla Sun Life Dynamic Bond Fund - Retail Plan	-	498.99
	Nil units (31 October 2012: 47,562,878 units at ₹ 10.4912)		
	Birla Sun Life Short Term Fund	-	499.31
	Nil units (31 October 2012: 42,928,036 units at ₹ 11.6313)		
	Birla Sun Life Savings Fund Retail	-	2,212.20
	Nil units (31 October 2012: 22,104,200 units at ₹ 100.0804)		
	IDFC - SSIF - Shorterm	-	761.48
	Nil units (31 October 2012: 74,620,235 units at ₹ 10.2048)		
	IDFC Money Manager Fund - Investment Plan	-	1,027.26
	Nil units (31 October 2012: 101,685,834.51 units at ₹ 10.1023)		
	JP Morgan India Short Term Income Fund	-	518.59
	Nil units (31 October 2012: 51,708,666 units at ₹ 10.0291)		
	Kotak Flexi Debt Fund	-	690.90
	Nil units (31 October 2012: 68,763,590 units at ₹ 10.0475)		
	Religare Short Term Plan	-	497.02
	Nil units (31 October 2012: 47,478,872 units at ₹ 10.4683)		
	L&T Ultra STF Installment	-	253.86
	Nil units (31 October 2012: 24,990,018 units at ₹ 10.1583)		

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

	31 October 2013	31 October 2012
14. CURRENT INVESTMENTS (Contd...)		
Reliance Money Manager Fund	-	101.01
Nil units (31 October 2012: 100,870 units at ₹ 1001.3715)		
ICICI Prudential Fixed Maturity Plan	-	200.00
Nil units (31 October 2012: 20,000,000 units at ₹ 10.0000)		
HDFC High Interest Fund	-	634.26
Nil units (31 October 2012: 59,980,840.98 units at ₹ 10.5744)		
ICICI Prudential Flexible Income Plan Premium	-	3,754.19
Nil units (31 October 2012: 35,505,633 units at ₹ 105.7350)		
Kotak Bond (Short Term)	-	1,000.00
Nil units (31 October 2012: 99,256,589.48 units at ₹ 10.0749)		
UTI Treasury Advantage Fund - Institutional Plan	-	4,747.74
Nil units (31 October 2012: 4,746,728 units at ₹ 1000.2141)		
Templeton India Low Duration Fund	-	1,994.10
Nil units (31 October 2012: 193,098,163 units at ₹ 10.3268)		
Fidelity Short Term Income Fund	-	518.25
Nil units (31 October 2012: 51,554,224 units at ₹ 10.0525)		
	9,374.73	**21,181.75**

* Valued at lower of cost and fair value.

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
15. TRADE RECEIVABLES				
Outstanding for a period exceeding six months from the date they are due for payment, unsecured				
- Considered good	-	-	268.87	267.14
- Considered doubtful	292.15	110.37	-	-
Less: Provision for doubtful receivables	(292.15)	(110.37)	-	-
Other receivables				
- Considered good	383.35	-	5,101.00	5,945.71
	383.35	**-**	**5,369.87**	**6,212.85**

	Non Current		Current	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
16. CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	-	-	-	0.04
Balances with banks:				
- On current accounts	-	-	1,067.46	1,099.63
- Deposits with original maturity less than 3 months	-	-	840.55	398.31
- Unclaimed dividend	-	-	5.98	4.32
	-	**-**	**1,913.99**	**1,502.30**
Other bank balances *				
- Deposits with original maturity for more than 12 months	86.39	86.39	-	24.40
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	1,069.80	36.27
	86.39	**86.39**	**1,069.80**	**60.67**
Amount disclosed under non-current assets (refer note 13)	(86.39)	(86.39)	-	-
	-	**-**	**1,069.80**	**60.67**
	-	**-**	**2,983.79**	**1,562.97**

* Includes restricted deposits of ₹ Nil (31 October 2012: ₹ 20.11 millions).

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

		Year ended 31 October 2013	Year ended 31 October 2012
17.	**REVENUE FROM OPERATIONS**		
	Sale of services	34,264.00	35,019.82
	Sale of traded products	-	462.46
	Loss on cashflow hedges	(1,049.20)	(1,273.89)
		33,214.80	**34,208.39**
17.1	**Details of services rendered:**		
	Application maintenance & other services	12,685.22	12,134.87
	Application development	6,886.85	7,785.55
	Infrastructure management services	9,818.46	11,111.19
	Others	4,873.47	3,988.21
		34,264.00	**35,019.82**
17.2	**Details of product sold:**		
	Biometric devices	-	462.46
		-	**462.46**
18.	**OTHER INCOME**		
	Interest income on		
	Bank deposits	58.31	39.34
	Others	3.69	1.09
	Dividend income on investments	1,017.10	1,180.94
	Foreign exchange gain, (net)	101.82	171.71
	Profit on sale of fixed assets, (net)	5.62	24.65
	Miscellaneous income	4.23	1.28
	Sublease income	53.14	52.83
		1,243.91	**1,471.84**
19.	**PURCHASE OF TRADED GOODS**		
	Biometric devices	-	428.16
		-	**428.16**
20.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and bonus	13,827.12	13,830.88
	Contribution to provident and other funds	601.97	625.77
	Employee stock option compensation cost (net)	16.06	47.43
	Gratuity expense (refer note 33(a))	206.80	167.44
	Staff welfare expenses	443.86	390.68
		15,095.81	**15,062.20**

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

		Year ended 31 October 2013	Year ended 31 October 2012
21.	**FINANCE COST**		
	Interest	27.51	45.24
	Exchange difference to the extent considered as an adjustment to borrowing costs	107.32	74.20
		134.83	**119.44**
22.	**OTHER EXPENSES**		
	Travel	636.19	476.73
	Recruitment expenses	158.48	127.47
	Communication expenses	254.25	330.81
	Rent	1,442.22	1,275.81
	Professional charges	260.01	126.21
	Payment to auditor (refer details below)	17.54	13.26
	Provision for doubtful debts	170.76	32.51
	Software development expenses	6,006.33	6,446.78
	Power and fuel	463.30	364.76
	Selling commission - others	149.79	219.48
	Software support & annual maintenance charges	831.98	1,201.57
	Insurance	28.66	18.82
	Rates & taxes	82.95	262.25
	Repairs & maintenance		
	- Plant & machinery	2.83	1.76
	- Building	1.80	3.66
	- Others	2.32	10.71
	Loss/ (gain) on sale/ revaluation of investments (net)	24.69	7.12
	Miscellaneous expenses	663.53	474.50
		11,197.63	**11,394.21**
	Payment to Auditor *		
	As auditor:		
	Statutory audit fee	10.82	8.47
	Tax audit fee	1.02	1.02
	Other services (certification fees)	5.70	3.77
		17.54	**13.26**

* excluding service tax of ₹ 2.17 millions (31 October 2012: ₹ 1.60 millions).

Notes to the Financial Statements for the year ended 31 October 2013

23. The Company's software development centres in India include 100% Export Oriented ('EOU'), Special Economic Zone ('SEZ') under Special Economic Zone Ordinance and Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Company has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to ₹ 44.06 millions as at 31 October 2013 (31 October 2012: ₹ 44.53 millions) have been furnished to the Customs authorities in this regard.

24. Contingent liabilities and commitments

(a) The Company has received assessment orders for the financial years ended 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009, wherein certain adjustments in respect of transfer pricing under section 92CA of the Income Tax Act, 1961 have been made to the taxable income and demand orders for ₹ 1,536.95 millions (31 October 2012: ₹ 1,503.02 millions) have been raised on the Company. The above demands are disputed by the management and the Company has filed appeals against the aforesaid orders with appellate authorities. The management is of the view that the prices determined by it are at arm's length and is confident that the demands raised by the assessing officer are not tenable under law. Pending outcome of the aforesaid matters under litigation, no provision has been made in the books of account for the above mentioned tax demands.

Other claims against the Company not acknowledged as debts amounting to ₹ 3,701.89 millions (31 October 2012: ₹ 1,110.80 millions) net of bank guarantees aggregating to ₹ 4,910.28 millions (31 October 2012: ₹ Nil). The management, basis internal evaluation and legal opinion is of the view that these demands are not tenable.

(b) Other outstanding bank guarantees as at 31 October 2013: ₹ 663.63 millions (31 October 2012: ₹ 619.30 millions) including those furnished on account of jointly controlled operations ₹ 108.70 millions (31 October 2012: ₹ 235.74 millions).

(c) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 October 2013: ₹ 92.06 millions (31 October 2012: ₹ 90.61 millions);

(d) Forward contracts outstanding against receivables/ highly probable forecast transactions as at 31 October 2013 and 31 October 2012 are as below:

Currency	31 October 2013		31 October 2012	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	250.50	15,407.00	329.50	17,728.75
GBP	13.15	1,295.90	18.28	1,584.93
CAD	1.88	110.62	2.46	132.73
AUD	-	-	10.40	581.62
EUR	11.65	978.95	12.57	880.04

Forward contracts outstanding against payables as at 31 October 2013 and 31 October 2012 are as below:

Currency	31 October 2013		31 October 2012	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	-	-	50.00	2,690.25
SGD	3.80	188.67	1.60	70.75

The foreign exchange exposure of the Company has been hedged by forward contracts disclosed above.

Unamortized premium as at 31 October 2013 on forward exchange contracts to hedge the foreign currency risk of the underlying outstanding at the balance sheet date is ₹ 52.26 millions (31 October 2012: ₹ 53.91 millions). Net foreign currency exposure of the Company that is not hedged by a derivative instrument or otherwise as at 31 October 2013: ₹ 14,393.83 millions (31 October 2012: ₹ 9,999.80 millions).

(e) The Company has issued performance guarantees on behalf of its subsidiaries for any future liabilities which may arise out of contracts and to certain clients for executed contracts.

Notes to the Financial Statements for the year ended 31 October 2013

25. Operating Leases

(a) The Company is obligated under non-cancellable leases for equipment, office and residential space that are renewable on a periodic basis at the option of the lessor and lessee. The total rental expenses under non-cancellable operating leases amounted to ₹ 303.97 millions for the year ended 31 October 2013. (31 October 2012: ₹ 421.38 millions).

Future minimum lease payments under non-cancellable operating lease as at 31 October 2013 are as follows:

(₹ millions)

Period	31 October 2013	31 October 2012
Not later than 1 year	360.71	190.11
Later than 1 year and not later than 5 years	917.83	255.14
More than 5 years	-	-
	1,278.54	445.25

The Company has also occupied office facilities and residential facilities under cancellable operating lease agreements. The Company intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was ₹ 1,138.25 millions for the year ended 31 October 2013. (31 October 2012: ₹ 854.43 millions). Office premises are obtained on operating lease for terms ranging from 1-7 years and are renewable at the option of the Company/ lessor.

(b) The Company has subleased office space under non-cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and lessee. The total sub lease rental Income under non-cancellable operating leases amounted to ₹ 42.08 millions for the year ended 31 October 2013 (31 October 2012: ₹ 34.14 millions).

Future minimum lease payments receivable under non-cancellable operating lease as at 31 October 2013 are as follows:

Period	31 October 2013	31 October 2012
Not later than 1 year	46.80	-
Later than 1 year and not later than 5 years	201.37	-
More than 5 years	242.53	-
	490.70	-

The Company has also subleased office space under cancellable operating lease agreements. The total sub lease rental Income under cancellable operating leases amounted to ₹ 11.06 millions for the year ended 31 October 2013 (31 October 2012: ₹ 18.69 millions).

26. Related Party Transactions

(a) Entities where control exists:

- Hewlett-Packard Company, USA (ultimate holding Company)
- Hewlett-Packard Eagle Corporation, USA (100% subsidiary of Hewlett-Packard Company, USA)
- Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett-Packard Eagle Corporation, USA)*

* EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius), EDS World Corporation (Far East) and EDS World Corporation LLC (Netherlands), the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 60.49% (31 October 2012: 60.50%) of the equity capital of the Company.

(b) The related parties where control exists also includes BFL Employees Equity Reward Trust, Kshema Employees Welfare Trust, MphasiS Employee Benefit Trust and the following subsidiaries.

- MphasiS Corporation ('MphasiS USA')
- MphasiS Australia Pty Limited ('MphasiS Australia')
- MphasiS Consulting Limited ('MphasiS Consulting')
- MphasiS Ireland Limited ('MphasiS Ireland')
- MphasiS Lanka Private Limited ('MphasiS Lanka')
- MphasiS Deutschland GmbH ('MphasiS GmbH')
- MphasiS (Shanghai) Software & Services Company Limited ('MphasiS China')
- MphasiS FinsourcE Limited ('MphasiS FinsourcE')
- MphasiS Belgium BVBA ('MphasiS Belgium')
- MphasiS Poland s.p.z.o.o

Notes to the Financial Statements for the year ended 31 October 2013

- PT. MphasiS Indonesia ('MphasiS Indonesia')
- MphasiS Pte Limited ('MphasiS Singapore')
- MphasiS UK Limited ('MphasiS UK')
- MphasiS Wyde Inc.
- Wyde Corporation
- Wyde Solutions Canada Inc.
- MphasiS Philippines Inc.
- Wyde Tunisie SARL
- Digital Risk, LLC
- Digital Risk Mortgage Services, LLC
- Digital Risk Compliance Services, LLC
- Digital Risk Analytics, LLC
- MphasiS Europe BV ('MphasiS Europe')
- MphasiS Infrastructure Services Inc.
- MsourcE (India) Private Limited ('MsourcE India')
- MphasiS Software and Services (India) Private Limited ('MphasiS India')
- MsourcE Mauritius Inc. ('MsourcE Mauritius')
- MphasiS Wyde SAS
- MsourcE India BPO Private Limited
- Investor Services, LLC
- Digital Risk Valuation Services, LLC
- Digital Risk Europe, OOD
- Digital Risk Mortgage Services, Corp

(c) Key management personnel:

The key management personnel of the Company are as mentioned below:

Executive key management personnel represented on the Board of the Company

■ Balu Ganesh Ayyar	Chief Executive Officer

Non-executive/ independent directors on the Board of the Company

■ Friedrich Froeschl	Director - Non Executive Chairman of the Board
■ Antonio F Neri	Director and appointed as Vice Chariman of the Board w.e.f. 28 February 2013
■ Davinder Singh Brar	Director
■ V Ravichandran	Director
■ Chandrakant D Patel	Director - Appointed w.e.f. 05 December 2012
■ James Mark Merritt	Additional Director - Appointed w.e.f. 15 February 2013
■ Narayanan Kumar	Additional Director - Appointed w.e.f. 15 February 2013
■ Lakshmikanth K Ananth	Additional Director - Appointed w.e.f. 28 February 2013
■ Nawshir H Mirza	Director - Retired w.e.f. 01 February 2013
■ Prakash Jothee	Director - Resigned w.e.f. 14 November 2011
■ Francesco Serafini	Director & Vice Chairman - Resigned w.e.f. 14 February 2013
■ Balu Doraisamy	Director - Resigned w.e.f. 14 February 2013
■ Gerard Brossard	Director - Resigned w.e.f. 6 December 2012

(d) Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place:

- Hewlett-Packard UK Enterprise (I) Ltd.
- P.T. Hewlett-Packard Berca Servisindo
- Autonomy Inc
- HP India Software Operation Pvt Ltd
- Hewlett-Packard Australia Pty Limited
- HP Enterprise Services BPA Pty Ltd
- Hewlett-Packard Brasil Ltda
- Hewlett-Packard (Schweiz) GmbH
- Shanghai Hewlett-Packard Co, Ltd
- Hewlett-Packard GmbH
- Global E:Business Operations Private Ltd
- HP Centre de Competence France SAS
- Hewlett-Packard Ltd
- HP Financial Services (New Zealand)
- Hewlett-Packard Company
- HP Financial Services GmbH
- HP Financial Services SPRL
- HP Enterprise Services Australia Pty Ltd
- Hewlett-Packard Belgium B.V.B.A/S.P.R.L
- Hewlett-Packard (Canada) Co.
- Hewlett-Packard Technology (Shanghai) Co., Ltd
- Hewlett-Packard Colombia Ltda
- Hewlett-Packard Aps
- Hewlett-Packard OY
- Hewlett-Packard France SaS
- Hewlett-Packard CDS Limited

Notes to the Financial Statements for the year ended 31 October 2013

- HP Enterprise Services UK Ltd
- Hewlett-Packard India Sales Private Limited
- Hewlett-Packard Galway Ltd
- Hewlett-Packard Servicios Espania, S.L.
- Hewlett-Packard Globalsoft Limited
- HP Enterprise Services Energy Italia S.r.l
- Hewlett-Packard Korea Limited
- Hewlett-Packard de Mexico S. De R.L. De CV
- Hewlett-Packard (K) Limited Liability Partnership
- Hewlett-Packard International Trade B.V.Saudi Arabia Branch
- Hewlett-Packard New Zealand
- Hewlett-Packard Singapore (Sales) Pte. Ltd
- HP Services (Singapore) Pte Ltd
- HP Software, LLC
- Hewlett-Packard State & Local Enterprise Services, Inc.
- Hewlett-Packard SAS, France
- Hewlett-Packard Servizi ICT S.r.l.
- Hewlett-Packard Global Investments B.V
- Hewlett-Packard International Sa'rl
- Hewlett-Packard Pakistan (Private) Limited
- Hewlett-Packard Financial Services (Australia) Pty Ltd
- HP Enterprise Services (Hong Kong) Ltd
- Hewlett-Packard Ireland, Ltd.
- Hewlett-Packard Financial Services (India) Private Ltd.
- Hewlett-Packard (M) Sdn.Bhd.
- HP Enterprise Services Italia S.r.l
- Hewlett-Packard Japan Limited
- Hewlett-Packard Services Kuwait Company W.L.L
- Hewlett-Packard Multimedia SDN BHD
- Hewlett-Packard Nederland B.V.
- Hewlett-Packard Norge A/S
- Hewlett-Packard Sverige A.B.
- Hewlett-Packard Asia Pacific Pte Ltd.
- Hewlett-Packard (Thailand) Ltd
- Hewlett-Packard Enterprises LLC
- HP Enterprise Services, LLC
- Hewlett-Packard South Africa (Proprietary) Limited
- Hewlett-Packard Nigeria Ltd
- Hewlett-Packard Slovakia, s.r.o.
- Hewlett-Packard Gulf SAS
- Hewlett-Packard Philippines Incorporation
- Hewlett-Packard Enterprise Services France S.A.S

(e) The following is the summary of significant transactions with related parties by the Company:

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Rendering of services to entities where control exists	**6,789.65**	**5,151.59**
MphasiS USA	2,303.01	1,793.74
MphasiS Australia	941.77	1,298.53
Hewlett-Packard Company	1,646.76	1,650.10
MsourcE India	1,457.69	0.06
Others	440.42	409.16
Rendering of services to other related parties	**14,635.99**	**17,632.53**
HP Enterprises Services, LLC	9,239.64	10,929.63
Others	5,396.35	6,702.90
Purchase of fixed assets from entities where control exists	**20.43**	**7.83**
MphasiS India	17.73	-
MphasiS UK	-	4.64
MsourcE India	1.74	2.66
Others	0.96	0.53
Purchase of fixed assets from other related parties	**16.79**	**102.36**
Hewlett-Packard Singapore (Sales) Pte. Limited	14.56	68.75
Hewlett-Packard India Sales Private Limited	2.23	33.47
Others	-	0.14

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Lease rental paid to other related parties	**63.98**	**97.70**
Hewlett-Packard Financial Services (India) Private Limited	63.98	97.70
Sale of fixed assets to other related parties	**1.38**	**1.36**
MsourcE India	1.05	1.36
MphasiS Australia	0.27	-
Others	0.06	-
Software development charges paid to entities where control exist	**4,251.82**	**3,587.15**
MphasiS USA	3,619.82	3,008.07
MphasiS UK	259.80	225.71
Others	372.20	353.37
Software development charges paid to other related parties	**6.89**	**42.77**
HP Services (Singapore) Pte Limited	6.89	42.77
Software support and annual maintenance charges paid to other related parties *	**728.14**	**841.88**
HP Services (Singapore) Pte Limited	728.14	841.88
Communication charges paid to other related parties	**2.05**	**65.86**
HP Services (Singapore) Pte Limited	2.05	65.86
Commission - others paid to entities where control exists	**149.79**	**219.48**
MphasiS GmbH	5.27	14.61
MphasiS Europe	49.84	57.20
MphasiS Belgium-Sweden branch	25.74	39.02
MphasiS Consulting	49.95	67.71
MphasiS Singapore	14.94	26.28
Others	4.05	14.66
Dividend paid (on cash basis)	**2,160.81**	**826.19**
EDS Asis Pacific Holdings,Maritius	1,411.04	539.51
EDS World Corporation (Far East)	749.77	286.68
Remuneration to executive key management personnel	**69.51**	**74.55**
Balu Ganesh Ayyar	69.51	74.55
Commission to non-executive directors **	**11.90**	**11.07**
Davinder Singh Brar	3.28	3.41
Nawshir Mirza	0.91	3.50
Friedrich Froeschl	5.02	4.16
Narayanan Kumar	2.69	-
Interest income from deposits made to entities where control exists	**0.44**	**0.56**
MphasiS Lanka	0.44	0.56
Investment in entities where control exists	**5,572.84**	**-**
MphasiS Europe	5,572.84	-
Advance/ Loan given to MphasiS Employee Benefit Trust	**-**	**42.05**
Loan refunded by MphasiS Employee Benefit Trust	**1.42**	**0.40**
Advance adjusted against issue of RSU with MphasiS Employee Benefit Trust	**20.27**	**93.86**
Deposits refunded by entities where control exists	**13.57**	**26.52**
MphasiS Lanka	13.57	26.52

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Sub-lease rent received from entities where control exists	**53.14**	**52.83**
MsourcE India	42.08	42.08
MphasiS FinsourcE	11.06	10.75
Sub-lease rent paid to entities where control exists	**54.72**	**48.17**
MsourcE India	47.68	46.41
MphasiS FinsourcE	7.04	1.76

* The Company has accrued expenses for certain services received from a related party where significant influence exists on best estimate basis as at 31 October 2013.

** This does not include remuneration paid to certain non-executive directors by the ultimate parent company and its affiliates as they are employees of the said companies.

Further, in addition to the above, the Company and its subsidiaries incur reimbursable expenses on behalf of each other in the normal course of business.

	Year ended 31 October 2013	Year ended 31 October 2012
Expenses incurred on behalf of related parties	**3.82**	**856.40**
MphasiS USA	2.62	9.27
MsourcE India	0.65	787.41
MphasiS India	-	32.44
Mphasis UK	0.44	-
Others	0.11	27.28
Cost Allocation	**473.07**	**325.79**
Mphasis FinsourcE	60.45	33.77
Msource India	307.23	186.50
Mphasis USA	82.23	74.34
Others	23.16	31.18
Expenses incurred by related parties on Company's behalf	**380.73**	**477.12**
MphasiS USA	50.89	35.23
MsourcE India	311.05	429.40
Others	18.79	12.49

(f) Managerial remuneration*

Expenses include the following remuneration to the key management personnel:

	Year ended 31 October 2013	Year ended 31 October 2012
Salaries and allowances	58.18	61.17
Provident and other funds **	1.12	1.12
Monetary value of perquisites	10.21	12.26
	69.51	**74.55**

* This does not include remuneration to certain non-executive directors, as the same is paid by the ultimate parent company and its affiliates as they are employees of the said companies.

** As the liability for gratuity and leave encashment is provided on an actuarial basis for the Company as whole, the amount pertaining to the directors are not included above.

Notes to the Financial Statements for the year ended 31 October 2013

(g) The balances receivable from and payable to related parties are as follows:

(₹ millions)

	31 October 2013	31 October 2012
Trade receivables and unbilled revenue- entities where control exists	**2,128.76**	**2,674.58**
MphasiS USA	939.59	1,020.95
MphasiS Australia	219.22	797.54
MphasiS Infrastructure Services Inc.	394.18	282.60
Hewlett-Packard Company	233.08	405.77
Others	342.69	167.72
Trade receivable and unbilled revenue- other related parties	**2,872.38**	**3,567.88**
HP Enterprises Services, LLC	1,606.25	2,046.62
HP Enterprise Services UK Ltd	258.14	230.81
Others	1,007.99	1,290.45
Trade payables - entities where control exists	**1,529.79**	**1,435.78**
MphasiS USA	937.16	839.60
MsourcE India	57.11	283.75
MphasiS UK	265.59	134.69
Others	269.93	177.74
Other liabilities - entities where control exists	**173.54**	**20.03**
MphasiS USA	134.77	6.20
MsourcE India	-	12.50
MphasiS India	20.59	-
MphasiS UK	17.56	-
Others	0.62	1.33
Trade payables - other related parties	**1,000.33**	**705.33**
HP Services (Singapore) Pte Limited	996.43	698.60
Others	3.90	6.73
Remuneration payable to executive key managerial personnel	**1.33**	**1.53**
Balu Ganesh Ayyar	1.33	1.53
Commission payable to non-executive directors	**6.80**	**2.99**
Davinder Singh Brar	1.77	1.03
Nawshir H Mirza	-	1.00
Friedrich Froeschl	3.09	0.96
Narayanan Kumar	1.94	-
Loans and advances to entities where control exists*	**828.95**	**1,573.07**
MphasiS USA	462.12	537.61
MsourcE India	54.24	777.74
MphasiS FinsourcE	127.92	77.02
MphasiS China	133.83	114.47
Others	50.84	66.23
Advances/ Loan to MphasiS Employee Benefit Trust	**140.96**	**162.65**
Interest receivable on deposit made to entities, where control exists	**1.14**	**0.89**
MphasiS Lanka	1.14	0.89
Inter-corporate deposits placed with - entities where control exists	**46.13**	**53.80**
MphasiS Lanka	46.13	53.80

* includes collection on behalf of the Company.

Notes to the Financial Statements for the year ended 31 October 2013

27. C.I.F. value of imports

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Capital goods	60.16	73.79
Purchase of traded goods	-	290.02

28. Earnings in foreign currency

	Year ended 31 October 2013	Year ended 31 October 2012
Revenues	28,998.75	30,026.34

29. Expenditure in foreign currency

	Year ended 31 October 2013	Year ended 31 October 2012
Software development charges	4,598.74	4,035.27
Travel	282.00	269.47
Professional charges	11.72	16.90
Software support and annual maintenance charges	767.33	866.62
Commission	149.79	219.48
Salary	601.99	602.02
Others	173.44	247.59
	6,585.01	**6,257.35**

Additionally, during the year, the Company has remitted dividend in foreign currency of ₹ 2,218.17 millions (31 October 2012: ₹ 829.47 millions) to non-residents holding 130,480,370 (31 October 2012: 127,610,321) equity shares of the Company.

	Year ended 31 October 2013	Year ended 31 October 2012
Number of shareholders	16	15
Number of shares held	130,480,370	127,610,321
Amount remitted (₹ millions)	2,218.17	829.47
Year to which the dividend relates	Year ended 31 October 2012	Year ended 31 October 2011

In addition to the above, refer note 36 for the remittances received from MphasiS Employee Welfare Trust, Mauritius (‘MEWT’).

30. Segment reporting

The Company has identified Banking and Capital Market, Insurance, Information Technology, Communication and Entertainment and Emerging Industries as primary business segments of the Company.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, 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 Company therefore believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as ‘unallocated’.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), Asia Pacific (APAC), India and Europe, Middle East & Africa (EMEA).

Notes to the Financial Statements for the year ended 31 October 2013

Primary segment information

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Segment revenue		
Banking and Capital Market	7,490.35	6,861.40
Insurance	4,913.74	4,179.60
Information Technology, Communication and Entertainment	7,796.15	10,077.59
Emerging Industries	14,063.76	14,363.69
Unallocated - Hedge	(1,049.20)	(1,273.89)
	33,214.80	**34,208.39**
Segment profit		
Banking and Capital Market	1,595.22	1,822.93
Insurance	1,454.82	1,202.64
Information Technology, Communication and Entertainment	1,925.40	2,482.76
Emerging Industries	4,507.64	4,226.44
Unallocated - Hedge	(1,049.20)	(1,273.89)
	8,433.88	**8,460.88**
Interest income	62.00	40.43
Finance costs	(134.83)	(119.44)
Other income	1,181.91	1,431.41
Other unallocable expenditure	(2,311.07)	(2,280.88)
Profit before taxation	**7,231.89**	**7,532.40**
Income taxes	1,836.75	1,421.95
Profit after taxation	**5,395.14**	**6,110.45**

	31 October 2013	31 October 2012
Segment assets		
Banking and Capital Market	3,189.03	2,661.78
Insurance	1,233.06	1,478.21
Information Technology, Communication and Entertainment	3,065.01	4,676.38
Emerging Industries	4,235.43	5,449.69
Unallocated	37,784.55	36,656.79
	49,507.08	**50,922.85**
Segment liabilities		
Banking and Capital Market	1,565.90	1,205.56
Insurance	979.21	912.69
Information Technology, Communication and Entertainment	1,484.66	1,793.24
Emerging Industries	2,601.91	2,706.36
Unallocated	5,707.84	7,983.81
	12,339.52	**14,601.66**
Capital employed		
Banking and Capital Market	1,623.13	1,456.22
Insurance	253.85	565.52
Information Technology, Communication and Entertainment	1,580.35	2,883.14
Emerging Industries	1,633.52	2,743.33
Unallocated	32,076.71	28,672.98
	37,167.56	**36,321.19**

Notes to the Financial Statements for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Capital Expenditure		
Banking and Capital Market	45.49	147.80
Insurance	29.84	90.03
Information Technology, Communication and Entertainment	47.35	217.08
Emerging Industries	85.42	309.42
	208.10	**764.33**
Depreciation and amortisation		
Banking and Capital Market	152.87	251.64
Insurance	73.50	80.07
Information Technology, Communication and Entertainment	258.04	320.27
Emerging Industries	314.14	491.84
	798.55	**1,143.82**
Secondary segment information (revenues)		
Region		
USA	23,071.10	22,166.64
India	3,884.28	5,566.74
APAC	1,866.17	2,170.01
EMEA	5,442.45	5,578.89
Unallocated - Hedge	(1,049.20)	(1,273.89)
	33,214.80	**34,208.39**

Revenues by geographical area are based on the geographical location of the client.

	31 October 2013	31 October 2012
Secondary segment information (assets)		
USA	5,445.67	5,680.90
India	42,303.91	42,863.92
APAC	802.15	1,115.19
EMEA	955.35	1,262.84
	49,507.08	**50,922.85**

	Year ended 31 October 2013	Year ended 31 October 2012
Secondary segment information (capital expenditure)		
India	208.10	764.33
	208.10	**764.33**

Notes to the Financial Statements for the year ended 31 October 2013

31. Earnings Per Share ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	Year ended 31 October 2013	Year ended 31 October 2012
Profit after taxation (₹ millions)	5,395.14	6,110.45
Number of weighted average shares considered for calculation of basic earnings per share	210,122,068	210,086,195
Add: Dilutive effect of stock options	309,679	390,419
Number of weighted average shares considered for calculation of diluted earnings per share	**210,431,747**	**210,476,614**

The above does not include 21,000 (31 October 2012: 21,700) bonus shares held in abeyance by the Company.

32. Stock Based Compensation

The Company uses the intrinsic value method of accounting for its employee stock options except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 plan wherein compensation cost is measured based on fair value method. The Company has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, the Company's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Net profit as reported	5,395.14	6,110.45
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method	-	2.05
Pro-forma net profit	5,395.14	6,112.50
Earnings per share: Basic		
As reported	25.68	29.09
Pro-forma	25.68	29.10
Earnings per share: Diluted		
As reported	25.64	29.03
Pro-forma	25.64	29.04

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised) *	67.12% to 69.48%

* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

Notes to the Financial Statements for the year ended 31 October 2013

33. Employee Benefits

a. Gratuity Plan

The following table sets out the status of the gratuity plan as required under revised AS 15.

Reconciliation of the projected benefit obligations

(₹ millions)

	31 October 2013	31 October 2012
Change in projected benefit obligation		
Obligations at year beginning	575.06	471.74
Service cost	186.40	171.26
Interest cost	45.23	35.72
Benefits paid	(86.00)	(103.02)
Actuarial (gain)/ loss	9.49	(0.64)
Obligations at year end	**730.18**	**575.06**
Change in plan assets		
Plan assets at year beginning, at fair value	411.16	386.00
Expected return on plan assets (estimated)	33.20	37.77
Actuarial gain/ (loss)	1.12	1.13
Contributions	-	70.00
Transfer	(0.01)	19.28
Benefits paid	(86.00)	(103.02)
Plan assets at year end, at fair value	**359.47**	**411.16**
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets as at the year end	359.47	411.16
Present value of defined benefit obligation as at the year end	730.18	575.06
Liability recognized in the balance sheet	**(370.71)**	**(163.90)**
Assumptions		
Interest rate	8.50%	8.50%
Discount rate	8.50%	8.50%
Expected rate of return on plan assets	8.00%	8.50%
Actual rate of return on plan assets	9.40%	9.40%
Attrition rate	20.00%	20.00%
Expected contribution over next one year	370.71	100.00

Gratuity cost	Year ended 31 October 2013	Year ended 31 October 2012
Service cost	186.40	171.26
Interest cost	45.23	35.72
Expected return on plan assets	(33.20)	(37.77)
Actuarial (gain)/ loss	8.37	(1.77)
Net gratuity cost	**206.80**	**167.44**

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

Notes to the Financial Statements for the year ended 31 October 2013

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 October 2013	31 October 2012
Investments with insurer	100%	100%

Amounts for the current and previous four periods are as follows:

	Year ended 31 October 2013	Year ended 31 October 2012	Year ended 31 October 2011	Year ended 31 October 2010	Year ended 31 October 2009
Fair value of plan assets as at the year end	359.47	411.16	386.00	260.58	250.36
Present value of defined benefit obligation as at the year end	730.18	575.06	471.74	378.87	309.00
Liability recognized in the balance sheet	(370.71)	(163.90)	(85.74)	(118.29)	(58.64)
Experience Adjustment					
Experience gain/ (loss) on planned liability	(9.49)	0.64	0.64	3.87	0.84
Experience gain/ (loss) on planned assets	1.12	1.13	0.94	0.76	0.48

b. Provident Fund

The Company contributed ₹ 512.02 millions during the year ended 31 October 2013 (31 October 2012: ₹ 542.83 millions).

Effective 03 July 2013, the Company has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Company has initiated steps for closure and transfer of funds from recognised provident funds to trust. The trust has invested the contribution in Government bonds with average returns more than the guaranteed return. Pending transfer of corpus from recognised provident fund the Company has not carried out actuarial valuation as at the date of Balance Sheet. Also the management does not expect any shortfall.

34. The details in respect of the jointly controlled operations entered into by the Company as on 31 October 2013 are as follows:

<table>
<tr><th>Sl. No.</th><th>Name of Joint Ventures</th><th>Nature of Project</th><th>Capital Commitments</th></tr>
<tr><td>1</td><td>TechSmart India Private Limited</td><td rowspan="2">The principal activity of this project is setting up enrolment stations, supply/ installation of hardware, maintenance, and biometric data entry for National Population Register project of India.</td><td rowspan="7">MphasiS Limited is committed to procure the required fixed assets to service the customers and also provide performance bank guarantees/ earnest money deposits, wherever required.</td></tr>
<tr><td>2</td><td>Swathy Smart Cards Hi-tech Private Limited</td></tr>
<tr><td>3</td><td>Swathy Smart Cards Hi-tech Private Limited</td><td rowspan="2">The principal activity of this project is to deploy equipment/ manpower, and give technology support for collection of door to door data entry for Social Economic Caste Census project in India.</td></tr>
<tr><td>4</td><td>JMK Infosoft Limited</td></tr>
<tr><td>5</td><td>E - Governance Private Limited</td><td rowspan="3">The principal activity of this project is to supply equipment conduct enrollment operations and collect demographic data for issuance of Unique Identification cards in India.</td></tr>
<tr><td>6</td><td>Strategic Outsourcing Services Private Limited</td></tr>
<tr><td>7</td><td>CSS Techenergy Limited</td></tr>
</table>

In respect of the above activities, the Company has advanced ₹ 37.52 millions (31 October 2012: ₹ 41.84 millions) to the said joint venturers.

Notes to the Financial Statements for the year ended 31 October 2013

35. The movement in provisions during the year is as below:

(₹ millions)

Claims	31 October 2013	31 October 2012
Opening balance	48.03	48.03
Additions	-	-
Amounts used	-	-
Closing balance	48.03	48.03

36. MphasiS Employee Welfare Trust, Mauritius ('MEWT'), was formed in year 2000 to administer the options granted to the employees of MphasiS Corporation when it was acquired by MphasiS Limited. At the time of acquisition, 1,288,787 shares of MphasiS Limited were issued to MEWT to be granted to the employees of MphasiS Corporation in lieu of the options on its shares held by them. The options that were not exercised lapsed on 11 April 2011. MEWT no longer had a purpose hence, the cash balance to the extent of ₹ 181.69 millions with MEWT and the sale proceeds of 216,783 shares amounting to ₹ 83.47 millions representing the lapsed options was remitted back during the year ended 31 October 2012. The remittance received has been credited to Capital Reserve. The Company has agreed to indemnify the trustees of MEWT towards any future claims.

37. The Company acquired control of Kshema Technologies Limited ("Kshema") on 1 June 2004. Kshema has been amalgamated with MphasiS Limited with effect from 1 April 2005.

The balance consideration payable to the erstwhile shareholders amounting to ₹ 17.06 millions (31 October 2012: ₹ 17.06 millions) is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 7).

38. The Company is eligible for tax benefit in respect of profits generated from special economic zones ('SEZ') under section 10AA of the Income Tax Act, 1961 ('Act'). The management has relied on the explanations provided in the Act and consultant's advice regarding formation of SEZ units and inter unit costs while considering revenue and profits arising from SEZ units for the tax financial year 2012-2013. Further, pursuant to introduction of domestic transfer pricing regulation, effective 1 April 2012, the Company has undertaken a transfer pricing study and analysis of its domestic transactions between the related parties. As a result, revenue of ₹ 733.00 millions with corresponding cost of ₹ 666.00 millions relating to the period 1 April 2012 to 31 January 2013, has been accounted during the year ended 31 October 2013, which was initially cross charged by the Company to domestic related parties by crediting the cost. On the above matters, an incremental tax liability of ₹ 121.91 millions has been provided during the year ended 31 October 2013. The management is confident that the provision made in respect of aforementioned matters is adequate.

39. The Company has entered into international and specified domestic transactions with its associated enterprises within the meaning of section 92B and section 92BA respectively of the Income Tax Act, 1961. The Company is of the view that all the aforesaid transactions have been made at arms' length terms.

40. The Board of directors of the Company in its meeting held on 27 September 2013 has approved the amalgamation of MphasiS FinsourcE Limited with its holding company, MphasiS Limited. 1 April 2013 being the appointed date of the merger. The Company is in the process of seeking approvals from The National Stock Exchange of India Limited, The Bombay Stock Exchange limited and The Hon'ble High Court of Karnataka.

41. On 22 July 2013, the Board of Directors of MphasiS Lanka (Private) Limited, a wholly owned subsidiary of the Company, resolved to close down its operations. Accordingly, an amount of ₹ 62.33 millions towards investment and inter-company receivables has been provided for in the financial statement of the Company.

42. MsourcE India BPO Private Limited has been dissolved and the name has been struck off from the register of Registrar of Companies effective 21 November 2013.

Notes to the Financial Statements for the year ended 31 October 2013

43. Current tax for the year ended 31 October 2013 include provision for earlier years amounting to ₹ 84.14 millions (year ended 31 October 2012 is net of reversal of provision for earlier years amounting to ₹ 180.00 millions).

44. Previous year's figures have been reclassified to conform to this year's classification, wherever applicable.

For S.R. BATLIBOI & ASSOCIATES LLP
Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary,
General Counsel & Ethics Officer

Bengaluru
05 December 2013

Cash Flow Statement for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Cash flow from operating activities		
Profit before tax	**7,231.89**	**7,532.40**
Non-Cash Adjustment to reconcile profit before tax to net cashflows:		
Depreciation/ amortization	798.55	1,143.82
Loss/ (profit) on sale of fixed assets	(5.62)	(24.65)
Impairment of investment in a subsidiary (refer note 41)	62.33	-
Employee stock compensation expense	16.06	47.43
Provision for bad and doubtful debts	170.76	32.51
Interest expense	27.51	45.24
Interest income	(62.00)	(40.43)
Dividend income	(1,017.10)	(1,180.94)
Loss on sale/ revaluation of investments	24.69	7.12
Effect of exchange rate changes (gain)/ loss	291.75	(87.97)
Operating profit before working capital changes	**7,538.82**	**7,474.53**
Increase/ (decrease) in trade payables	(298.95)	617.78
Increase/ (decrease) in provisions	228.13	75.75
Increase/ (decrease) in other liabilities	74.02	(409.53)
Decrease/ (increase) in trade receivables	288.87	(989.94)
Decrease/ (increase) in loans and advances	606.09	1,218.10
Decrease/ (increase) in other assets	1,197.69	890.06
Cash generated from operations	**2,095.85**	**1,402.22**
Direct taxes paid (net of refunds)	(2,004.15)	(1,610.78)
Net cash flow from operating activities (A)	**7,630.52**	**7,265.97**
Cash flow from investing activities:		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(190.95)	(774.10)
Proceeds from sale of fixed assets	35.17	101.62
Investment in subsidiaries	(5,572.84)	-
Purchase of investments	(44,923.38)	(46,338.10)
Sale of investments	51,165.50	41,113.61
Intercompany deposit refunded	13.57	26.52
Interest received	32.09	35.55
Dividends received	1,017.10	1,180.94
Re-investment of dividend	(617.08)	(776.50)
Investments in bank deposits	(1,069.80)	(131.58)
Redemption/ maturity of bank deposits	60.67	44.22
Net cash flow used in investing activities (B)	**(49.95)**	**(5,517.82)**

Cash Flow Statement for the year ended 31 October 2013

(₹ millions)

	Year ended 31 October 2013	Year ended 31 October 2012
Cash flow from financing activities		
Proceeds from issue of share capital	0.19	0.71
Proceeds of premium from issue of share capital	1.70	5.37
Receipts from liquidation of trust (refer note 36)	-	265.16
Repayment of secured loans	-	(1.57)
Repayment of unsecured loan (including exchange differences)	(11,337.14)	(7,884.83)
Availment of unsecured loans	8,349.25	8,219.14
Interest paid	(32.76)	(39.99)
Dividends paid (including tax on dividend)	(4,150.12)	(1,586.70)
Net cash flow used in financing activities (C)	**(7,168.88)**	**(1,022.71)**
Net increase in cash and cash equivalents (A+B+C)	**411.69**	**725.44**
Cash and cash equivalents at the beginning of the year	1,502.30	776.86
Cash and cash equivalents at the end of the year	**1,913.99**	**1,502.30**
Components of cash and cash equivalents		
Cash on hand	-	0.04
Balance with banks		
- on current account	1,067.46	1,099.63
- on deposit account	840.55	398.31
- unclaimed dividend	5.98	4.32
Total cash and cash equivalents (note 16)	**1,913.99**	**1,502.30**

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
05 December 2013

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Narayanan Kumar
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary,
General Counsel & Ethics Officer

Bengaluru
05 December 2013

Group Office Locations

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Bengaluru

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  Balaji Mansion,
  8/1, Bannerghatta Main Road,
  J P Nagar Industrial Estate,
  Bengaluru-560 076
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  Fax: 080 - 2658 1142
- Bagmane Laurel,
  No 65/2, Block-A,
  Bagmane Technology Park,
  Byrasandra Village, C V Raman Nagar,
  Bengaluru - 560 093
  Tel: 080 - 4004 4444
  Fax: 080 - 4004 9998
- Bagmane Parin,
  No 65/2, Block A,
  Bagmane Technology Park,
  Byrasandra Village, C V Raman Nagar,
  Bengaluru - 560 093
  Tel: 080 - 4004 4444
  Fax: 080 - 4004 9999
- Global Technology Village SEZ
  Survey Nos. 12/1, 12/2, 29 & 30
  Mylasandra & Patanegere Villages
  RVCE post, Kengeri Hobli
  Bengaluru - 560 059
  Tel: 080 - 4355 6677
- Kshema Dhama
  #1, Global Village, Mylasandra
  Mysore Road, Bengaluru - 560 059
  Tel: 080 - 4003 0303
  Fax: 080 - 2860 3372
- Mereside Heights
  No. 1, Old Madras Road,
  Pai Layout, Bengaluru - 560 016
  Tel: 080 - 4176 5500
  Fax: 080 - 4176 5506
- Bagmane World Technology Center,
  W.T.C. 2, K.R. Puram
  Marathalli Ring Road, Mahadevapura
  Bengaluru - 560 048 India
  Tel: 080 - 3352 5000
- Bagmane Constructions Pvt Ltd
  Special Economic Zone,
  W.T.C. 3 Block A & B , Level 1,
  Bengaluru - 560 048
  Tel: 080 - 3352 5000
- Bagmane Constructions Pvt Ltd
  Special Economic Zone , W.T.C. 4,
  Level 4, Mahadevpura , K R Puram,
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  Tel: 080 - 3352 5000
- Mascot 90, EPIP Industrial Area
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  Kharadi Knowledge Park
  EON Kharadi Infrastructure Pvt. Ltd
  SEZ Plot No.1, Survey No.77
  MIDC, Kharadi, Pune - 411 014
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  Fax: 81 3 3544 7639

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  Port Louis, Mauritius

MPHASIS
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MPHASIS ON
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2013 ANNUAL REPORT