

Chairman's Speech

Good Morning Ladies and Gentlemen. Welcome to the Twentieth Annual General Meeting of Mphasis Limited. Thank you for your presence here today.

Dividend

To begin with, I am very pleased to inform you that the Board of Mphasis has recommended a dividend of Rs.6.50 per share for FY 2011. This represents a 63% increase over the dividend declared for the previous year, and is in line with the Board's commitment to share our profits with our shareholders.

Financial performance

Let me now take you through the highlights of our financial performance, following which I will discuss our progress on the vision and strategies we devised for the organization following an intensive restructuring exercise undertaken in FY 2010.

Mphasis' consolidated revenues for the year ended 31st October, 2011 were Rs. 5,098 crores, compared to Rs. 5,037 crores in the previous year. Operating profit and net profit was at Rs. 829 crores and Rs. 822 crores respectively in 2011 as compared to 1101 crores and 1091 crores in 2010. The Company's earnings per share (EPS) during FY 2011 was at Rs. 39.14 compared to Rs. 52.00 in the previous year; one of reasons for the drop being the withdrawal of the tax holiday for IT services by the Government of India.

Mphasis continued to generate strong operating and free cash flows during FY 2011. This resulted in an increase in the cash balance net of debt, to Rs. 1,774 crores, higher by Rs. 181 crores, even though Rs. 409 crores was utilized for the acquisition of Wyde Corporation during the year.

Strategic direction

During FY 2011, we started operationalizing our transformational strategies that we believe would provide the growth impetus over the next few years. In doing so, we are further leveraging such unique advantages as our brand, technology and processes, client engagements, alliances and global delivery to offer a wide spectrum of services both to HP and Direct channels. Using these strengths, we have remained focused on deepening our engagements and delivering greater customer value.

While remaining committed to the opportunities offered by HP worldwide, we have expanded our footprint outside HP's Enterprise Services business into many new areas such as imaging and printing, networking and technology consulting.

We have also delivered above-industry growth in the Direct channel of 22.2%, adding 65 new clients and end FY 2011 with a quarterly revenue run rate exceeding \$ 100 million.

We have focused on strengthening our domain presence in sectors such as Banking, Financial Services and Insurance. Towards this objective, we have built a strong team of experienced leaders, including domain experts, and focused on developing vertical solutions. In the insurance vertical, we have recently acquired Wyde Corporation for \$ 90.6 million (Rs. 409 crores) and enter the year with a strong revenue momentum in insurance. Acquisitions remain an intrinsic part of our growth strategy.

Mphasis has also employed differentiated strategies in emerging and mature markets, based on our experience of customers' decision making process. We have developed narrow and deep focus in select countries, created geography specific services backed by investments in sales and processes.

Within the organization, we have nurtured the entrepreneurial spirit of our people. We have spawned new ventures in product engineering services and payment solutions, incubating new ideas and transforming them into mainstream businesses.

Apart from these revenue expansion initiatives, we also remain focused on cost containment. During FY 2011, we have increased our own onsite resources replacing external consultants, increased resource utilization, optimized product development expenditure, delivered productivity gains from a flattened delivery pyramid and consolidated our delivery centers. These initiatives are expected to deliver margin improvements during the current year.

Accolades

During the year, Mphasis and Mphasians continued to receive several accolades from renowned organizations.

- Mphasis was ranked # 165 amongst the Fortune 500 companies in India, and # 7 in the Infotech segment
- Your company, Mphasis, was ranked #32 in FinTech's 2011 list of 100 leading technology and service providers to the financial services industry
- Mphasis was honored with a 'Special Recognition' at the NASSCOM Corporate Awards for Excellence in Diversity and Inclusion
- Mphasian Ashwin Karthik won the 13th NCPEDP -Shell Helen Keller Award in 2011 for promotion of employment for disabled people
- And most recently, Ganesh Ayyar, our CEO, won the India talent management award at the CNBC TV18 India Business Leader Awards

Looking Ahead

As we look ahead to 2012, we believe that the transformation journey we undertook 15 months ago has made us stronger in terms of our proposition to our customers, many of whom have applauded our laser-like focus in delivering a differentiated value; they also like our customer intensity. These attributes are helping us handle the changing demand patterns due to economic uncertainty.

We are moving up the value chain in a large number of our engagements, enabling our customers create business enhancements. We are increasing our strategic agility to service customers. We are exploring potential opportunities arising from the current economic situation. We are focused on benefiting from the trend of vendor consolidation in the industry. We are developing newer business models to serve customers, including near shoring.

Profitability will be our central focus in 2012.

Before I close my address today, I take this opportunity to convey our appreciation to our stakeholders – customers for reposing their faith in us, employees for working tirelessly to deliver customer delight, our Board and management team for efficiently steering the company's resources and you, our shareholders for your continued support.

Chairman and Director – 20th Annual General Meeting
Dr. Friedrich Froeschl