

September 30, 2021

## Mphasis Limited - Update on Material Event

### Summary of rating(s) outstanding

Instrument*	Previous Rated Amount	Current Rated Amount	Rating Outstanding
Long Term/Short Term – Fund-based/Non-fund Based Working Capital	1,600.00	1,600.00	[ICRA]AA+ (Stable)/[ICRA]A1+
<b>Total</b>	<b>1,600.00</b>	<b>1,600.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

On September 21, 2021, Mphasis Corporation, USA, a wholly-owned subsidiary of Mphasis Limited (Mphasis), acquired a 100% equity stake in Blink Interactive, Inc. (Blink). The transaction was completed on September 21, 2021. The acquisition is an all-cash deal worth USD 94 million and is not a related-party transaction.

Established in 2000, Seattle (US)-based Blink is a design consultancy that provides services around user experience (UX), user research-based software product design and strategy, and experience design. It specialises in an evidence-driven design process, which helps in service and product development for marquee brands. With over 130 employees, Blink has design studios in Seattle, Austin, Boston, San Diego, and San Francisco.

ICRA takes note of the said acquisition and the ratings remain unchanged at [ICRA]AA+ (Stable)/[ICRA]A1+. Blink has ~65 customers (including marquee clients such as Facebook, Amazon, Microsoft, Google, J P Morgan Chase, American Express). This acquisition is expected to provide Mphasis with access to marquee clients in the banking, financial services and insurance sector (BFSI) and the information technology (Hi-Tech) verticals and will provide both entities with the opportunity to cross sell.

Mphasis had a net cash and liquid investment reserve of Rs. 3,439.6 crore as on June 30, 2021. The acquisition will lead to a reduction in the same by Rs. 692.6 crore (USD 94 million), thereby impacting the liquidity buffer to a certain extent. However, with a limited debt level, the company's financial profile is expected to remain strong. Mphasis' earnings before interest and taxes (EBIT) margins are also expected to reduce by ~1% in FY2022 and FY2023 on account of the retention cost of talent and the amortisation charge on intangibles following the acquisition of Blink. While the deal is expected to yield revenue synergies in the near to medium term, the same would be a key monitorable. ICRA will continue to monitor Mphasis' operational and financial performance and will take appropriate rating action as and when required.

ICRA also takes note of the change in Mphasis' ownership within the Blackstone Group. On August 11, 2021, BCP Topco IX Pte. Ltd (another fund of the Blackstone Group) completed the acquisition of 55.9% shares of the company from the erstwhile parent, Marble II Pte. Ltd.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in Information Technology Industry</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has considered the consolidated financials of Mphasis

## About the company

Mphasis is a mid-sized IT company primarily providing information technology (IT)/information technology enabled services (ITeS)/business process outsourcing (BPO) services to clients in the banking and capital markets, emerging industries, IT, communication and entertainment and insurance segments. The company derives its revenues primarily from software services and projects, licensing arrangements and application services, and infrastructure outsourcing services. Headquartered in Bengaluru, Mphasis has a presence in the US, Europe, Australia, the Asia-Pacific region, Japan and India.

In June 2006, Electronic Data Systems Corporation (EDS) acquired Mphasis, and EDS was subsequently acquired by Hewlett-Packard (HP), thereby resulting in Mphasis becoming a 60.47% subsidiary of HP. However, in September 2016, global private equity (PE) major, the Blackstone Group, acquired HP's stake through its special purpose vehicle – Marble Pte II Limited. As of March 31, 2021, Marble Pte II had a 56.12% stake in Mphasis.

The Blackstone Group entered into a definitive agreement on April 26, 2021 to transfer a 55.31% shareholding in Mphasis to a Blackstone PE fund (BCP Topco IX Pte. Ltd. along with Blackstone Capital Partners Asia NQ L.P and Blackstone Capital Partners (CYM) VIII AIV – F L.P.) from Marble Pte II. On August 11, 2021, BCP Topco IX Pte. Ltd. completed the acquisition of 55.99% shares of the company from the erstwhile parent, Marble II Pte. Ltd.

## Key financial indicators (audited)

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	8,843.5	9,722.3
PAT (Rs. crore)	1,184.8	1,216.8
OPBDIT/OI (%)	18.7%	18.5%
PAT/OI (%)	13.4%	12.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.4
Total Debt/OPBDIT (times)	0.8	0.7
Interest Coverage (times)	20.3	28.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Debt includes lease liability

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Sep 30, 2021	Jun 17, 2021			
1	Non-fund based facilities	Long term and short term	-	-	-	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	[ICRA]AA+ (Stable)/ [ICRA]A1+
2	Fund-based/Non-fund based facilities	Long term and short term	1,600.0	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term/ Short Term – Fund-based/Non-fund Based Working Capital	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	O/s Rating and Outlook
Kotak Mahindra Bank	Fund-based/Non-fund based facilities	NA	NA	NA	522.0	[ICRA]AA+ (Stable)/A1+
ICICI Bank Limited		NA	NA	NA	300.0	
Citibank NA		NA	NA	NA	200.0	
HDFC Bank Limited		NA	NA	NA	200.0	
Axis Bank		NA	NA	NA	113.0	
JP Morgan Chase Bank NA		NA	NA	NA	100.0	
DBS Bank India Limited		NA	NA	NA	90.0	
Standard Chartered Bank		NA	NA	NA	75.0	

Source: Company

**Annexure-2: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Mphasis Corporation	100.00%	Full Consolidation
Mphasis Deutschland GmbH	91.00%	Full Consolidation
Mphasis Australia Pty Limited	100.00%	Full Consolidation
Mphasis (Shanghai) Software & Services Company Limited	100.00%	Full Consolidation
Mphasis Consulting Limited	100.00%	Full Consolidation
Mphasis Ireland Limited	100.00%	Full Consolidation
Mphasis Belgium BV (formerly Mphasis Belgium BVBA)	100.00%	Full Consolidation
Mphasis Lanka (Private) Limited	100.00%	Full Consolidation
Mphasis Poland s.p.z.o.o.	100.00%	Full Consolidation
PT. Mphasis Indonesia	100.00%	Full Consolidation
Mphasis Europe BV	100.00%	Full Consolidation
Mphasis Infrastructure Services Inc.	100.00%	Full Consolidation
Mphasis Pte Limited	100.00%	Full Consolidation
Mphasis UK Limited	100.00%	Full Consolidation
Mphasis Software and Services (India) Private Limited	100.00%	Full Consolidation
Msource Mauritius Inc.	100.00%	Full Consolidation
Mphasis Wyde Inc.	100.00%	Full Consolidation
Mphasis Philippines Inc.	100.00%	Full Consolidation
Msource (India) Private Limited	100.00%	Full Consolidation
Wyde Corporation Inc.	100.00%	Full Consolidation
Mphasis Wyde SASU	100.00%	Full Consolidation
Wyde Solutions Canada Inc.	100.00%	Full Consolidation
Digital Risk, LLC	100.00%	Full Consolidation
Digital Risk Mortgage Services, LLC	100.00%	Full Consolidation
Investor Services, LLC	100.00%	Full Consolidation
Digital Risk Valuation Services, LLC	100.00%	Full Consolidation
Digital Risk Europe, OOD	100.00%	Full Consolidation
Mphasis Employees Benefit Trust	100.00%	Full Consolidation
Mphasis Employees Equity Reward Trust	100.00%	Full Consolidation
Stelligent Systems LLC	100.00%	Full Consolidation
Datalytx Limited	100.00%	Full Consolidation
Datalytx MSS Limited	100.00%	Full Consolidation
Dynamyx Limited	100.00%	Full Consolidation

Source: Mphasis Limited

Note: ICRA has taken a consolidated view of the parent (Mphasis), its subsidiaries and associates while assigning the ratings

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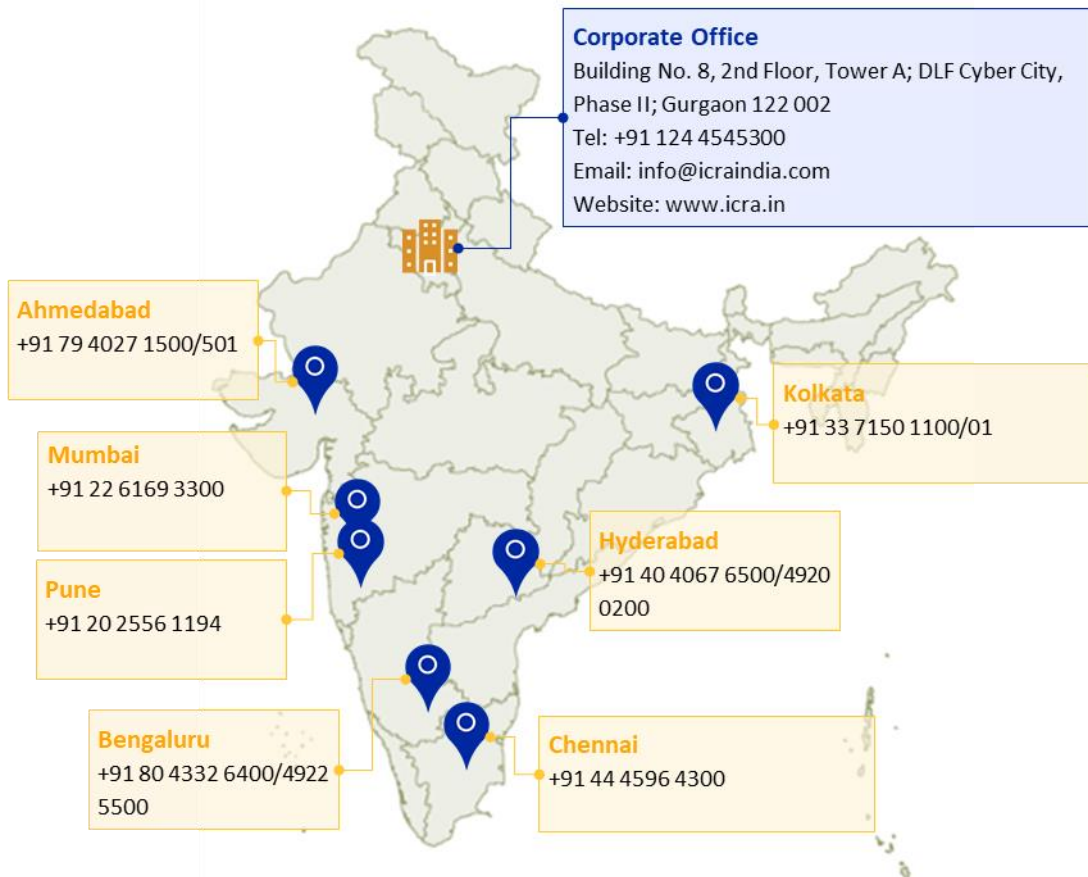
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