



Baring Private Equity Partners India



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Case study - MphasiS Limited



Company overview

- BFL software – software services company specializing in offshore development
- Company issues –
 - Management retention
 - Client retention
 - Creditors
 - Compliance with SEBI regulations
 - Competition from other PEs
- Low promoter integrity
 - Validity of share transfer documents
 - Minority or control??



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Initiatives

- Clean up of books of accounts
- Settling creditor dues
- Created a blueprint for systems and processes to facilitate scaling of business

- Strategic initiatives–
 - Business development
 - Business initiatives
 - Restructuring
 - ESOPs
 - Augmenting the Board

- First year post investment, net profits grow 91%



Case study - MphasiS Limited



Continued challenges

- Revenue growth ceases
 - Inadequate business development
 - No new client acquisition
 - Inability to move up the value chain

- Consistently falling bottom-line
 - Sharp increase in man-power costs
 - Low utilization level
 - Decrease in operational leverage

- Solution
 - Spend aggressively on business development
 - Merge with another large Indian company
 - Sell a large equity piece to a large IT company
 - Acquire/merge with a IT solutions company



Case study - MphasiS Limited



Company overview

- MphasiS Corp – IT solutions to the banking and finance industry
- Investment opportunity–
 - Founded by ex-Citibank employees
 - Significant domain expertise
 - Strong network
 - Motivated employees
 - High growth company
- Issues
 - Weak execution
 - High profile team led to high cost structure
 - Liquidity risk
 - Pre-breakeven company



Case study - MphasiS Limited



Merger

- Rationale -
 - Leverage client relationships
 - Rationalize infrastructure costs
 - Add management depth
 - Diversified client base
 - Synergistic product offerings
 - MphasiS, being pre break-even , could use BFL's surplus cash
- The combined entity was greater than sum-of-the-parts
- BFL Software + MphasiS Corp → MphasiS Limited
Provides integrated solutions involving Infrastructure Technology, Applications and Business Process Outsourcing capabilities



Case study - MphasiS Limited



Value Addition

- Fine tuned business model & transformed the strategic path followed by the company
- Rationalized asset utilization and improved and created systems for allocating capital in the company
- Created a blueprint for systems and processes to facilitate scaling of business
- Enhanced employee loyalty through a widely distributed ESOP
- Repositioned BFL's business by removal of shareholders with negative images
- Assisted MphasiS in solving the start up issues and subsidiary structuring
- Augmented the management team including succession planning & selection of CFO
- Introduced transparency and good corporate governance ahead of regulatory moves



Case study - MphasiS Limited



Scale up

- At the time of investment, the company had
 - Revenues of Rs. 25 cr and Rs 13 cr of loss
 - 125 employees
- Currently, the company has
 - Revenues of Rs. 4300 cr and net profit of Rs. 909 cr
 - Over 32,000 employees



Contact Details



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