

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Balance Sheet as at December 31, 2017 and March 31, 2017

(₹ crores)

		As at December 31, 2017	As at March 31, 2017
	Note		
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3	9,487	9,214
(b) Capital work-in-progress		1,225	1,477
(c) Intangible assets	4	12	17
(d) Financial assets			
(i) Investments	5(i)	2,204	2,201
(ii) Trade receivables		132	67
(iii) Unbilled revenue		184	110
(iv) Loans	6(i)	1,503	6
(v) Other financial assets	7(i)	493	638
(e) Income tax assets (net)		3,966	4,560
(f) Deferred tax assets (net)		2,985	2,447
(g) Other assets	8(i)	817	579
Total non-current assets		23,008	21,316
Current assets			
(a) Inventories		27	21
(b) Financial assets			
(i) Investments	5(ii)	30,746	40,729
(ii) Trade receivables		18,745	16,582
(iii) Unbilled revenue		4,836	4,125
(iv) Cash and cash equivalents	9	1,128	790
(v) Other balances with banks	10	209	526
(vi) Loans	6(ii)	2,271	2,704
(vii) Other financial assets	7(ii)	1,227	1,418
(c) Other assets	8(ii)	1,670	1,547
Total current assets		60,859	68,442
TOTAL ASSETS		83,867	89,758
EQUITY AND LIABILITIES			
Equity			
(a) Share capital	11	191	197
(b) Other equity		70,489	77,825
Total equity		70,680	78,022
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings		40	44
(ii) Other financial liabilities	12(i)	241	245
(b) Employee benefit obligations		63	63
(c) Provisions		33	39
(d) Deferred tax liabilities (net)		379	314
(e) Other liabilities	13(i)	327	330
Total non-current liabilities		1,083	1,035
Current liabilities			
(a) Financial liabilities			
(i) Borrowings		-	200
(ii) Trade payables		4,667	4,190
(iii) Other financial liabilities	12(ii)	2,219	1,946
(b) Unearned and deferred revenue		1,352	1,126
(c) Current income tax liabilities (net)		952	1,046
(d) Employee benefit obligations		1,574	1,376
(e) Provisions		178	66
(f) Other liabilities	13(ii)	1,162	751
Total current liabilities		12,104	10,701
TOTAL EQUITY AND LIABILITIES		83,867	89,758
NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS			
	1-23		

As per our report of even date attached

For and on behalf of the Board

For **BSR & Co. LLP**

Chartered Accountants

Firm's registration number: 101248W/W-100022

Rajesh Gopinathan

CEO and Managing Director

N. Ganpathy Subramaniam

COO and Executive Director

Yezdi Nagporewalla

Partner

Membership number: 049265

Mumbai, January 11, 2018

V. Ramakrishnan

CFO

Rajendra Moholkar

Company Secretary

TATA CONSULTANCY SERVICES LIMITED

**Condensed Interim Statement of Profit and Loss for the quarter and nine month periods ended
December 31, 2017 and 2016**

(₹ crores)

	Note	For the quarter ended December 31, 2017	For the quarter ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
I. Revenue from operations	14	24,278	23,184	71,786	69,287
II. Other income	15	1,043	1,360	4,264	3,514
III. TOTAL INCOME		25,321	24,544	76,050	72,801
IV. Expenses:					
(a) Employee benefit expenses	16	12,669	11,941	38,305	35,769
(b) Other operating expenses	17	4,492	4,495	13,165	13,144
(c) Finance costs		2	3	27	12
(d) Depreciation and amortisation expense		419	394	1,227	1,176
TOTAL EXPENSES		17,582	16,833	52,724	50,101
V. PROFIT BEFORE TAX		7,739	7,711	23,326	22,700
VI. Tax expense:					
(a) Current tax		1,622	1,820	5,073	5,117
(b) Deferred tax		48	(193)	(232)	(237)
TOTAL TAX EXPENSE		1,670	1,627	4,841	4,880
VII. PROFIT FOR THE PERIOD		6,069	6,084	18,485	17,820
VIII. OTHER COMPREHENSIVE INCOME / (LOSSES)					
(A) (i) Items that will be reclassified subsequently to the statement of profit and loss:					
(a) Net changes in fair values of investments other than equity shares carried at fair value through OCI		(571)	254	(649)	1,073
(b) Net changes in fair values of intrinsic value of cash flow hedges		41	115	(98)	90
(c) Net changes in fair values of time value of cash flow hedges		123	(41)	(42)	(22)
(ii) Income tax on items that will be reclassified subsequently to statement of profit and loss		178	(98)	241	(381)
(B) (i) Items that will not be reclassified subsequently to the statement of profit and loss			-		
(a) Remeasurement of defined employee benefit plans		(47)	(38)	29	(101)
(b) Net changes in fair values of investments in equity shares carried at fair value through OCI		-	1	-	(20)
(ii) Income tax on items that will not be reclassified subsequently to the statement of profit and loss		-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)		(276)	193	(519)	639
IX. TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,793	6,277	17,966	18,459
X. Earnings per equity share: - Basic and diluted (₹)	18	31.70	30.88	95.88	90.44
Weighted average number of equity shares (face value of ₹ 1 each)		191,42,87,591	197,04,27,941	192,79,65,422	197,04,27,941
XI. NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS	1-23				

As per our report of even date attached

For and on behalf of the Board

For BSR & Co. LLP

Chartered Accountants

Firm's registration number: 101248W/W-100022

Rajesh Gopinathan

CEO and Managing Director

N. Ganpathy Subramaniam

COO and Executive Director

Yezdi Nagporewalla

Partner

Membership number: 049265

Mumbai, January 11, 2018

V. Ramakrishnan

CFO

Rajendra Moholkar

Company Secretary

TATA CONSULTANCY SERVICES LIMITED**Condensed Interim Statement of Changes in Equity for the nine month periods ended December 31, 2017 and 2016**

(₹ crores)		
Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at December 31, 2016
197	-	197

(₹ crores)		
Balance as at April 1, 2017	Changes in equity share capital during the period *	Balance as at December 31, 2017
197	(6)	191

* Refer note 11

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statement of Changes in Equity for the nine month periods ended December 31, 2017 and 2016

B. OTHER EQUITY

(₹ crores)

	Reserves and surplus						Items of other comprehensive income			
	Capital reserve *	Securities premium	Capital redemption reserve	General reserve	Special Economic Zone re-investment reserve	Retained earnings	Investment revaluation reserve	Cash flow hedging reserve		Total Equity
								Intrinsic value	Time value	
Balance as at April 1, 2016	-	1,919	100	9,118	-	53,576	54	68	(19)	64,816
Profit for the period	-	-	-	-	-	17,820	-	-	-	17,820
Other comprehensive income	-	-	-	-	-	(101)	682	78	(18)	641
Total comprehensive income	-	-	-	-	-	17,719	682	78	(18)	18,461
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	279	(279)	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	-	(279)	279	-	-	-	-
Dividend (including tax on dividend)	-	-	-	-	-	(9,421)	-	-	-	(9,421)
Realised gain on equity shares carried at fair value through OCI	-	-	-	-	-	(20)	20	-	-	-
Balance as at December 31, 2016	-	1,919	100	9,118	-	61,854	756	146	(37)	73,856
Balance as at April 1, 2017	-	1,919	100	9,118	97	65,965	538	105	(17)	77,825
Profit for the period	-	-	-	-	-	18,485	-	-	-	18,485
Other comprehensive income	-	-	-	-	-	29	(424)	(86)	(38)	(519)
Total comprehensive income	-	-	-	-	-	18,514	(424)	(86)	(38)	17,966
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	1,135	(1,135)	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	-	(98)	98	-	-	-	-
Buyback of equity shares (Refer note 11)	-	(1,919)	6	(9,118)	-	(4,963)	-	-	-	(15,994)
Expenses for buyback of equity shares (Refer note 11)	-	-	-	-	-	(43)	-	-	-	(43)
Dividend (including tax on dividend)	-	-	-	-	-	(9,265)	-	-	-	(9,265)
Balance as at December 31, 2017	-	-	106	-	1,134	69,171	114	19	(55)	70,489

* represents values less than ₹ 0.50 crore.

NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

1-23

As per our report of even date attached

For and on behalf of the Board

For B S R & Co. LLP

Chartered Accountants

Firm's registration number: 101248W/W-100022

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N. Ganpathy Subramaniam

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Membership number: 049265

V. Ramakrishnan

CFO

Rajendra Moholkar

Company Secretary

Mumbai, January 11, 2018

TATA CONSULTANCY SERVICES LIMITED
Condensed Interim Statement of Cash Flow for the nine month periods ended
December 31, 2017 and 2016

	(₹ crores)	
	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
I NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	18,485	17,820
Adjustments to reconcile profit and loss to net cash provided by operating activities:		
Depreciation and amortisation expense	1,227	1,176
Bad debts and advances written off , allowance for doubtful trade receivable and advances (net)	72	81
Tax expense	4,841	4,880
Finance costs	27	12
Gain on disposal of property, plant and equipment (net)	(1)	(5)
Exchange difference on translation of foreign currency cash and cash equivalents	(26)	39
Dividend income (including exchange gain)	(1,618)	(394)
Interest income	(1,629)	(1,716)
Net gain on investments	(692)	(332)
Operating profit before working capital changes	20,686	21,561
Inventories	(6)	(15)
Unbilled revenue	(785)	(972)
Trade receivables	(2,296)	255
Loans	7	530
Other financial assets	295	220
Other assets	(377)	43
Trade payables	477	(237)
Unearned and deferred revenue	226	76
Other financial liabilities	292	(563)
Other liabilities and provisions	740	226
Cash generated from operations	19,259	21,124
Taxes paid (net of refunds)	(4,573)	(4,943)
Net cash provided by operating activities	14,686	16,181
II CASH FLOWS FROM INVESTING ACTIVITIES		
Inter-corporate deposits placed	(3,500)	(2,125)
Purchase of investments	(71,954)	(78,040)
Payments for purchase of property, plant and equipment	(1,256)	(1,236)
Earmarked deposits placed with banks	(150)	-
Bank deposits placed	(80)	-
Proceeds from bank deposits	415	-
Proceeds from inter-corporate deposits	2,425	2,127
Proceeds from disposal / redemption of investments	81,627	66,754
Proceeds from disposal of property, plant and equipment	2	18
Proceeds from earmarked deposits with banks	135	400
Dividend received from subsidiaries (including exchange gain)	1,613	394
Dividend received from other investments	5	-
Interest received	1,883	1,222
Net cash provided by / (used in) investing activities	11,165	(10,486)

TATA CONSULTANCY SERVICES LIMITED
Condensed Interim Statement of Cash Flow for the nine month periods ended
December 31, 2017 and 2016

(Continued)	(₹ crores)	
	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
III CASH FLOWS FROM FINANCING ACTIVITIES		
Buyback of equity shares	(16,000)	-
Expenses relating to buyback of equity shares	(42)	-
Short term borrowings (net)	(200)	53
Dividend paid (including dividend tax)	(9,265)	(9,421)
Repayment of finance lease obligations	(5)	(12)
Interest paid	(27)	(12)
Net cash used in financing activities	(25,539)	(9,392)
Net change in cash and cash equivalents	312	(3,697)
Cash and cash equivalents at the beginning of the period	790	4,383
Exchange difference on translation of foreign currency cash and cash equivalents	26	(39)
Cash and cash equivalents at the end of the period	1,128	647

IV NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS 1-23

As per our report of even date attached

For and on behalf of the Board

For **B S R & Co. LLP**

Chartered Accountants

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Mumbai, January 11, 2018

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Company Secretary

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

1) Corporate Information

Tata Consultancy Services Limited (referred to as “TCS Limited” or “the Company”) provides consulting-led integrated portfolio of information technology (IT) and IT-enabled services delivered through a network of delivery centers around the globe. The Company’s full services portfolio consists of IT and Assurance Services, Business Intelligence and Performance Management, Business Process Services, Consulting, Digital Enterprise Services, Eco-sustainability Services, Engineering and Industrial Services, Enterprise Security and Risk Management, Enterprise Solutions, iON-Small and Medium Businesses, IT Infrastructure Services, IT Services and Platform Solutions.

The Company is a public limited company incorporated and domiciled in India. The address of its corporate office is TCS House, Raveline Street, Fort, Mumbai - 400001. As at December 31, 2017, Tata Sons Limited, the holding company owned 73.52% of the Company’s equity share capital.

The condensed interim financial statements for the period ended December 31, 2017 were approved by the Board of Directors and authorised for issue on January 11, 2018.

2) Significant Accounting Policies

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as “Ind AS”) 34 Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) amendment Rules, 2016.

(b) Basis of preparation

These condensed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(c) Use of estimates and judgements

The preparation of these condensed interim financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

Key sources of estimation of uncertainty at the date of the financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment of investments, useful lives of property, plant and equipment, valuation of deferred tax assets, provisions and contingent liabilities.

Impairment of investments

The Company reviews its carrying value of investments carried at amortised cost annually, or more frequently when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

Useful lives of property, plant and equipment

The Company reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

Valuation of deferred tax assets

The Company reviews the carrying amount of deferred tax assets at the end of each reporting period. The policy has been explained under Note 2(i).

Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each Balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements.

(d) Revenue recognition

TCS Limited earns revenue primarily from providing information technology, business solutions and consultancy services through development and maintenance of IT applications and infrastructure, implementation of enterprise solutions, business process services, assurance services, engineering and industrial services using its own products, framework of solutions and third party products.

The Company recognises revenue as follows:

Contracts are unbundled into separately identifiable components and the consideration is allocated to those identifiable components on the basis of their fair values. Revenue is recognized for respective components either at the point in time or over time, as applicable.

Revenue from contracts priced on a time and material basis is recognised as services are rendered and as related costs are incurred.

Revenue from software development contracts, which are generally time bound fixed price contracts, is recognised over the life of the contract using the percentage-of-completion method, with contract costs determining the degree of completion. Losses on such contracts are recognised when probable. Revenue in excess of billings is recognised as unbilled revenue in the Balance sheet; to the extent billings are in excess of revenue recognised, the excess is reported as unearned and deferred revenue in the balance sheet.

Revenue from Business Process Services contracts priced on the basis of time and material or unit of delivery is recognised as services are rendered or the related obligation is performed.

Revenue from the sale of internally developed and manufactured systems and third party products which do not require significant modification is recognised upon delivery, which is when the absolute right to use passes to the customer and the Company does not have any material remaining service obligations.

Revenue from maintenance contracts is recognised on a pro-rata basis over the period of the contract.

Revenue is recognised only when evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability of the resulting receivables is reasonably assured.

Revenue is reported net of discounts and indirect taxes.

- (e)** Dividend income is recorded when the right to receive payment is established. Interest income is recognised using the effective interest method.

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

(f) Leases

Finance lease

Assets taken on lease by the Company in its capacity as lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is recognised for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Operating lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in the statement of profit and loss, unless the lease agreement explicitly states that increase is on account of inflation.

(g) Cost recognition

Costs and expenses are recognised when incurred and have been classified according to their nature.

The costs of the Company are broadly categorised in employee benefit expenses, depreciation and amortisation and other operating expenses. Employee benefit expenses include employee compensation, allowances paid, contribution to various funds and staff welfare expenses. Other operating expenses mainly include fees to external consultants, cost of running its facilities, travel expenses, cost of equipment and software licenses, communication costs, allowances for delinquent receivables and advances and other expenses. Other expenses is an aggregation of costs which are individually not material such as commission and brokerage, recruitment and training, entertainment, etc.

(h) Foreign currency

The functional currency of the Company is Indian rupee (₹).

Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the Balance sheet date and exchange gains and losses arising on settlement and restatement are recognised in the statement of profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

(i) Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred taxes are recognised in statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current income tax expense includes income taxes payable by the Company and its branches in India and overseas. The current tax payable by the Company in India is Indian income tax payable on worldwide income after taking credit for tax relief available for export operations in Special Economic Zones (SEZs).

Current income tax payable by overseas branches of the Company is computed in accordance with the tax laws applicable in the jurisdiction in which the respective branch operates. The taxes paid are generally available for set off against the Indian income tax liability of the Company's worldwide income.

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying unit intends to settle the asset and liability on a net basis.

Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

For operations carried out in SEZs, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

(j) Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net off direct issue cost.

Hedge accounting

The Company designates certain foreign exchange forward, option and future contracts as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

The Company uses hedging instruments that are governed by the policies of the Company which are approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the risk management strategy of the Company.

The hedge instruments are designated and documented as hedges at the inception of the contract. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. The ineffective portion of designated hedges is recognised immediately in the statement of profit and loss.

The effective portion of change in the fair value of the designated hedging instrument is recognised in the other comprehensive income and accumulated under the heading cash flow hedging reserve.

The Company separates the intrinsic value and time value of an option and designates as hedging instruments only the change in intrinsic value of the option. The change in fair value of the time value and intrinsic value of an option is recognised in the statement of other comprehensive income and accounted as a separate component of equity. Such amounts are reclassified into the statement of profit and loss when the related hedged items affect profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity till that time remains and is recognised in statement of profit and loss when the forecasted transaction ultimately affects the profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss accumulated in equity is transferred to the statement of profit and loss.

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

(k) Investment in subsidiaries

Investment in subsidiaries are measured at cost less impairment.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation is provided for property, plant and equipment so as to expense the cost less residual value over their estimated useful lives based on a technical evaluation. The estimated useful lives and residual value are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

The estimated useful lives are as mentioned below:

Type of asset	Method	Useful lives
Buildings	Straight line	20 years
Leasehold improvements	Straight line	Lease term
Plant and equipment	Straight line	10 years
Computer equipment	Straight line	4 years
Vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Electrical installations	Straight line	10 years
Furniture and fixtures	Straight line	5 years

Assets held under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation is not recorded on capital work-in-progress until construction and installation is complete and the asset is ready for its intended use.

(m) Intangible assets

Intangible assets purchased are measured at cost as of the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any.

Intangible assets consist of rights under licensing agreement and software licences which are amortised over license period which equates the useful life ranging between 2-5 years on a straight line basis.

(n) Impairment

(i) Financial assets (other than at fair value)

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

In determining the allowances for doubtful trade receivables the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and rates used in the provision matrix.

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

(ii) Non-financial assets

Tangible and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

(o) Employee benefits

(i) Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the other comprehensive income for the period in which they occur. Past service cost both vested and unvested is recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits.

The retirement benefit obligations recognised in the Balance sheet represents the present value of the defined benefit obligations reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

(ii) Defined contribution plans

Contributions to defined contribution plans are recognised as expense when employees have rendered services entitling them to such benefits.

(iii) Compensated absences

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an actuarially determined liability at the present value of the defined benefit obligation at the balance sheet date.

(p) Inventories

Raw materials, sub-assemblies and components are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Purchased goods-in-transit are carried at cost. Work-in-progress is carried at the lower of cost and net realisable value. Stores and spare parts are carried at lower of cost and net realisable value. Finished goods produced or purchased by the Company are carried at lower of cost and net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads.

(q) Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year. The Company did not have any potentially dilutive securities in any of the years presented.

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

3) Property, Plant and Equipment

Property, plant and equipment consist of the following:

(₹ crores)

Description	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
Cost as at April 1, 2017	327	6,637	1,412	392	5,130	31	1,943	1,601	1,208	18,681
Additions	-	360	242	89	484	2	108	107	104	1,496
Disposals	-	(1)	-	-	(59)	(1)	(20)	(6)	(10)	(97)
Cost as at December 31, 2017	327	6,996	1,654	481	5,555	32	2,031	1,702	1,302	20,080
Accumulated depreciation as at April 1, 2017	-	(1,444)	(862)	(73)	(4,005)	(22)	(1,401)	(778)	(882)	(9,467)
Depreciation for the period	-	(263)	(96)	(32)	(466)	(4)	(162)	(108)	(91)	(1,222)
Disposals	-	1	-	-	59	1	20	6	9	96
Accumulated depreciation as at December 31, 2017	-	(1,706)	(958)	(105)	(4,412)	(25)	(1,543)	(880)	(964)	(10,593)
Net carrying amount as at December 31, 2017	327	5,290	696	376	1,143	7	488	822	338	9,487

(₹ crores)

Description	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
Cost as at April 1, 2016	327	6,044	1,288	320	4,649	31	1,840	1,501	1,122	17,122
Additions	-	596	133	72	607	2	119	106	104	1,739
Disposals	-	(3)	(9)	-	(126)	(2)	(16)	(6)	(18)	(180)
Cost as at March 31, 2017	327	6,637	1,412	392	5,130	31	1,943	1,601	1,208	18,681
Accumulated depreciation as at April 1, 2016	-	(1,119)	(753)	(38)	(3,509)	(19)	(1,191)	(643)	(794)	(8,066)
Depreciation for the year	-	(328)	(118)	(35)	(611)	(5)	(225)	(140)	(106)	(1,568)
Disposals	-	3	9	-	115	2	15	5	18	167
Accumulated depreciation as at March 31, 2017	-	(1,444)	(862)	(73)	(4,005)	(22)	(1,401)	(778)	(882)	(9,467)
Net carrying amount as at March 31, 2017	327	5,193	550	319	1,125	9	542	823	326	9,214

Net book value of Computer equipment of ₹ Nil (March 31, 2017: ₹ 1 crore) and Leasehold improvements of ₹ 31 crores (March 31, 2017: ₹ 36 crores) are under finance lease.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

4) Intangible Assets

Intangible assets consist of the following:

	(₹ crores)
Description	Rights under licensing agreement and software licenses
Cost as at April 1, 2017	68
Additions	-
Disposals / derecognised	-
Cost as at December 31, 2017	68
Accumulated amortisation as at April 1, 2017	(51)
Amortisation for the period	(5)
Disposals / derecognised	-
Accumulated amortisation as at December 31, 2017	(56)
Net carrying amount as at December 31, 2017	12

	(₹ crores)
Description	Rights under licensing agreement and software licenses
Cost as at April 1, 2016	129
Additions	-
Disposals / derecognised	(61)
Cost as at March 31, 2017	68
Accumulated amortisation as at April 1, 2016	(105)
Amortisation for the year	(7)
Disposals / derecognised	61
Accumulated amortisation as at March 31, 2017	(51)
Net carrying amount as at March 31, 2017	17

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

5) Investments

Investments consist of the following:

(i) Investments – Non - current

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
(A) <u>Investment in subsidiaries</u>		
Fully paid equity shares (unquoted)	2,124	2,124
(B) <u>Investments carried at fair value through profit and loss</u>		
Mutual and other funds (unquoted)	58	55
(C) <u>Investments designated at fair value through OCI</u>		
Fully paid equity shares (unquoted)	22	22
	2,204	2,201

(ii) Investments – Current

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
(A) <u>Investment carried at fair value through profit and loss</u>		
Mutual and other funds (unquoted)	7,388	18,730
(B) <u>Investment carried at fair value through OCI</u>		
Government securities (quoted)	22,871	21,999
Corporate bonds (quoted)	487	-
	30,746	40,729

The market value of quoted investments is equal to the carrying value.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

Details of investment in subsidiaries is as follows:

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
<u>Investment in subsidiaries</u>		
Fully paid equity shares (unquoted)		
TCS Iberoamerica SA	461	461
APTOnline Limited *	-	-
Tata Consultancy Services Belgium S.A.	1	1
Tata Consultancy Services Netherlands BV	403	403
Tata Consultancy Services Sverige AB	19	19
Tata Consultancy Services Deutschland GmbH	2	2
Tata America International Corporation	453	453
Tata Consultancy Services Asia Pacific Pte Ltd.	19	19
TCS FNS Pty Limited	212	212
Diligenta Limited	429	429
Tata Consultancy Services Canada Inc.	31	31
C-Edge Technologies Limited	5	5
MP Online Limited	1	1
Tata Consultancy Services (Africa) (PTY) Ltd.	66	66
MahaOnline Limited	2	2
Tata Consultancy Services Qatar S.S.C.	2	2
CMC Americas Inc.	8	8
TCS e-Serve International Limited	10	10
TCS Foundation *	-	-
	2,124	2,124
<u>Investments designated at fair value through OCI</u>		
Fully paid equity shares (unquoted)		
Taj Air Limited	19	19
KOOH Sports Private Limited	3	3
	22	22

* represents values less than ₹ 0.50 crore.

6) Loans

Loans (unsecured) consist of the following:

(i) Non-current loans

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
Considered good		
(i) Loans and advances to employees	3	6
(ii) Inter-corporate deposits	1,500	-
	1,503	6

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

(ii) Current loans

	(₹ crores)	
	As at	As at
	December 31, 2017	March 31, 2017
(a) Considered good		
(i) Loans and advances to employees	271	279
(ii) Inter-corporate deposits	2,000	2,425
(b) Considered doubtful		
(i) Loans and advances to employees	60	56
Less: Allowance for loans and advances to employees	(60)	(56)
	2,271	2,704
	2,271	2,704

Inter-corporate deposits placed with financial institutions yield fixed interest rate.

7) Other Financial Assets

Other financial assets consist of the following:

(i) Non-current financial assets

	(₹ crores)	
	As at	As at
	December 31, 2017	March 31, 2017
(a) Security deposits	493	638
	493	638
	493	638

(ii) Current financial assets

	(₹ crores)	
	As at	As at
	December 31, 2017	March 31, 2017
(a) Interest receivable	443	697
(b) Fair value of foreign exchange derivative assets	225	572
(c) Security deposits	196	119
(d) Others	363	30
	1,227	1,418
	1,227	1,418

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

8) Other Assets

Other assets consist of the following:

(i) Other non-current assets

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
Considered good		
(a) Capital advances	129	142
(b) Advances to related parties	3	6
(c) Prepaid expenses	302	191
(d) Prepaid rent	376	228
(e) Indirect taxes recoverable	3	4
(f) Others	4	8
	817	579

Advances to related parties, considered good, comprise:

Voltas Limited	3	6
Tata Realty and Infrastructure Ltd *	-	-

* represents value less than ₹ 0.50 crore.

(ii) Other current assets

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
(i) Considered good		
(a) Prepaid expenses	1,189	1,101
(b) Prepaid rent	44	17
(c) Advance to suppliers	84	148
(d) Advance to related parties	3	1
(e) Indirect taxes recoverable	317	262
(f) Other advances	19	13
(g) Others	14	5
(ii) Considered doubtful		
(a) Advance to suppliers	3	3
(b) Indirect taxes recoverable	2	2
(c) Other advances	3	3
Less : Allowance for doubtful advances	(8)	(8)
	1,670	1,547

Advances to related parties, considered good, comprise:

Tata AIG General Insurance Company Limited	1	-
The Titan Company Limited	-	1
TCS Financial Solutions Pty Limited	1	-
TCS eServe International Ltd	1	-
APTOnline Ltd *	-	-

* represents value less than ₹ 0.50 crore.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

9) Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	(₹ crores)	
	As at	As at
	December 31, 2017	March 31, 2017
(i) Balances with banks		
In current accounts	967	724
In deposit accounts	12	-
(ii) Cheques on hand	13	5
(iii) Cash on hand *	-	1
(iv) Remittances in transit	136	60
	<u>1,128</u>	<u>790</u>

* represents value less than ₹ 0.50 crore.

10) Other Balances with Banks

Other balances with banks consist of the following:

	(₹ crores)	
	As at	As at
	December 31, 2017	March 31, 2017
(i) Earmarked balances with banks	129	111
(ii) Short-term bank deposits	80	415
	<u>209</u>	<u>526</u>

Earmarked balances with banks significantly pertains to unclaimed dividends and margin money for purchase of investments.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

11) Share Capital

The authorised, issued, subscribed and fully paid-up share capital comprises of the following:

	(₹ crores)	
	As at	As at
	December 31, 2017	March 31, 2017
Authorised		
(i) 460,05,00,000 equity shares of ₹ 1 each (March 31, 2017 : 460,05,00,000 equity shares of ₹ 1 each)	460	460
(ii) 105,02,50,000 preference shares of ₹ 1 each (March 31, 2017 : 105,02,50,000 preference shares of ₹ 1 each)	105	105
	<u>565</u>	<u>565</u>
Issued, Subscribed and Fully paid up		
(i) 191,42,87,591 equity shares of ₹ 1 each (March 31, 2017 : 197,04,27,941 equity shares of ₹ 1 each)	197	197
(ii) 5,61,40,350 equity shares extinguished on buy-back	(6)	-
	<u>191</u>	<u>197</u>

Pursuant to the Regulation 29(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company, at its meeting held on February 20, 2017 had approved a proposal to buy-back of upto 5,61,40,351 equity shares of the Company for an aggregate amount not exceeding ₹ 16,000 crores being 2.85% of the total paid up equity share capital at ₹ 2,850 per equity share, which was approved by the shareholders by means of a special resolution through a postal ballot.

A Letter of Offer was made to all eligible shareholders. The Company bought back 5,61,40,350 equity shares out of the shares that were tendered by eligible shareholders and extinguished the equity shares bought on June 07, 2017.

Capital Redemption Reserve was created to the extent of Share Capital extinguished (₹ 6 crores). An amount of ₹ 5,003 crores from Retained earnings was used to offset the excess of buy-back cost of ₹ 16,043 crores (including ₹ 43 crores towards transaction costs of buy-back) over par value of shares after adjusting the balances lying in Securities Premium (₹ 1,919 crores) and General Reserve (₹ 9,118 crores).

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

12) Other Financial Liabilities

Other financial liabilities consist of the following:

(i) Other non-current financial liabilities

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
(a) Capital creditors	13	17
(b) Others	228	228
	<u>241</u>	<u>245</u>

Others include advance taxes paid of ₹ 226 crores (March 31, 2017: ₹ 227 crores) by the seller of TCS e-serve Limited which, on refund by the tax authorities, is payable to the seller.

(ii) Other current financial liabilities

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
(a) Current maturities of finance lease obligations	5	6
(b) Unclaimed dividends	28	25
(c) Fair value of foreign exchange derivative liabilities	88	20
(d) Capital creditors	249	272
(e) Liability towards customer contracts	621	834
(f) Accrued payroll	978	684
(g) Others	250	105
	<u>2,219</u>	<u>1,946</u>

Finance lease obligations are secured against property, plant and equipment obtained under finance lease arrangements.

13) Other Liabilities

Other liabilities consist of the following:

(i) Other non-current liabilities

	(₹ crores)	
	As at December 31, 2017	As at March 31, 2017
(a) Operating lease liabilities	327	330
	<u>327</u>	<u>330</u>

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

(ii) Other current liabilities

	(₹ crores)	
	As at	As at
	December 31, 2017	March 31, 2017
(a) Advance received from customers	48	49
(b) Indirect tax payable and other statutory liabilities	998	629
(c) Operating lease liabilities	77	49
(d) Others	39	24
	1,162	751

14) Revenue from Operations

Revenue from operations includes ₹ 599 crores for the quarter ended December 31, 2017 (₹ 478 crores for quarter ended December 31, 2016) and ₹ 1,727 crores for nine months ended December 31, 2017 (₹ 1,256 crores for nine months ended December 31, 2016) towards sale of equipment and software licenses.

15) Other Income

Other income consist of the following:

	(₹ crores)			
	For the quarter ended December 31, 2017	For the quarter ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
(a) Interest income	631	619	1,629	1,716
(b) Dividend income	155	250	1,617	394
(c) Net gain on investments carried at fair value through statement of profit and loss	122	166	496	332
(d) Net gain on investments other than equity shares carried at fair value through OCI	-	-	196	-
(e) Net gain on disposal of property, plant and equipment	1	1	1	5
(f) Net foreign exchange gains	120	313	284	1,027
(g) Rent income	2	2	4	4
(h) Other income	12	9	37	36
	1 043	1,360	4,264	3,514

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

16) Employee Benefit Expenses

Employee benefit expenses consist of the following:

	(₹ crores)			
	For the quarter ended December 31, 2017	For the quarter ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
(a) Salaries, incentives and allowances	11,581	10,923	35,006	32,670
(b) Contributions to provident and other funds	768	725	2,334	2,208
(c) Staff welfare expenses	320	293	965	891
	<u>12,669</u>	<u>11,941</u>	<u>38,305</u>	<u>35,769</u>

17) Other Operating Expenses

Other operating expenses consist of the following:

	(₹ crores)			
	For the quarter ended December 31, 2017	For the quarter ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
(a) Fees to external consultants	1,582	1,681	4,683	5,064
(b) Facility expenses	769	702	2,272	2,090
(c) Cost of equipment and software licenses	541	438	1,544	1,160
(d) Travel expenses	513	518	1,632	1,637
(e) Communication expenses	163	175	527	533
(f) Bad debts and advances written off, allowance for doubtful trade receivable and advances (net)	22	31	72	81
(g) Other expenses	902	950	2,435	2,579
	<u>4,492</u>	<u>4,495</u>	<u>13,165</u>	<u>13,144</u>

Cost of equipment and software licenses include:

Material costs

(a) Raw materials, sub-assemblies and components consumed	18	36	77	62
(b) Equipment and software licenses purchased	523	402	1,467	1,098
(c) Opening stock:				
Finished goods and work-in-progress	-	1	1	-
(d) Less: Closing stock:				
Finished goods and work-in-progress	-	1	-	1
	<u>-</u>	<u>-</u>	<u>1</u>	<u>(1)</u>
	<u>541</u>	<u>438</u>	<u>1,545</u>	<u>1,159</u>

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

18) Earnings Per Share (EPS)

	For the quarter ended December 31, 2017	For the quarter ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
Profit for the period (₹ crores)	6,069	6,084	18,485	17,820
Weighted average number of equity shares	191,42,87,591	197,04,27,941	192,79,65,422	197,04,27,941
Earning per share basic and diluted (₹)	31.70	30.88	95.88	90.44
Face value per equity share (₹)	1	1	1	1

19) Financial Instruments

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2(j) to the condensed interim financial statements.

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as of December 31, 2017 is as follows:

	(₹ crores)					
	Fair value through Profit & Loss	Fair value through Other Comprehensive Income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
Financial Assets:						
Cash and cash equivalents	-	-	-	-	1,128	1,128
Earmarked balances with banks	-	-	-	-	129	129
Bank deposits	-	-	-	-	80	80
Trade receivables	-	-	-	-	18,877	18,877
Investments (Other than in Subsidiary)	7,446	23,380	-	-	-	30,826
Unbilled revenues	-	-	-	-	5,020	5,020
Loans	-	-	-	-	3,774	3,774
Other financial assets	-	-	89	136	1,495	1,720
Total	7,446	23,380	89	136	30,503	61,554
Financial Liabilities:						
Trade payables	-	-	-	-	4,667	4,667
Borrowings	-	-	-	-	40	40
Other financial liabilities	-	-	3	85	2,372	2,460
Total	-	-	3	85	7,079	7,167

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

The carrying value of financial instruments by categories as of March 31, 2017 is as follows:

	(₹ crores)					
	Fair value through Profit & Loss	Fair value through Other Comprehensive Income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
Financial Assets:						
Cash and cash equivalents	-	-	-	-	790	790
Earmarked balances with banks	-	-	-	-	111	111
Bank deposits	-	-	-	-	415	415
Trade receivables	-	-	-	-	16,649	16,649
Investments (Other than in Subsidiary)	18,785	22,021	-	-	-	40,806
Unbilled revenues	-	-	-	-	4,235	4,235
Loans	-	-	-	-	2,710	2,710
Other financial assets	-	-	140	432	1,484	2,056
Total	18,785	22,021	140	432	26,394	67,772
Financial Liabilities:						
Trade payables	-	-	-	-	4,190	4,190
Borrowings	-	-	-	-	244	244
Other financial liabilities	-	-	-	20	2,171	2,191
Total	-	-	-	20	6,605	6,625

Carrying amounts of cash and cash equivalents, trade receivables, unbilled revenues, loans and trade payables as at December 31, 2017 and March 31, 2017 approximate the fair value. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented.

Fair value hierarchy:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

- Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The investments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market. The investments included in Level 3 of fair value hierarchy have been valued using the cost approach to arrive at their fair value. The cost of unquoted investments approximate the fair value because there is a range of possible fair value measurements and the cost represents estimate of fair value within that range.

The following table summarises financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosure are required):

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Interim Financial Statements

(₹ crores)				
As at December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Mutual fund units	7,388	58	-	7,446
Equity shares	-	-	22	22
Government securities	22,871	-	-	22,871
Corporate bonds	-	487	-	487
Derivative financial assets	-	225	-	225
Total	30,259	770	22	31,051
Financial liabilities:				
Derivative financial liabilities	-	88	-	88
Total	-	88	-	88

(₹ crores)				
As at March 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Mutual fund units	18,785	-	-	18,785
Equity shares	-	-	22	22
Government securities	21,999	-	-	21,999
Derivative financial assets	-	572	-	572
Total	40,784	572	22	41,378
Financial liabilities:				
Derivative financial liabilities	-	20	-	20
Total	-	20	-	20

(b) Derivative financial instruments and hedging activity

The Company's revenue is denominated in foreign currency predominantly US Dollar, Sterling Pound and Euro. In addition to these currencies, the Company also does business in Australian Dollar, Singapore Dollar, Saudi Arabian Riyal, Danish Kroner and Brazilian Real. Given the nature of the business, a large portion of the costs are denominated in Indian Rupee. This exposes the Company to currency fluctuations.

The Board of Directors of the Company has constituted a Risk Management Committee (RMC) to frame, implement and monitor the risk management plan of the Company which inter-alia covers risks arising out of exposure to foreign currency fluctuations. Under the guidance and framework provided by the RMC, the Company uses various derivative instruments such as foreign exchange forwards, currency option contracts and futures contracts in which the counter party is generally a bank.

The following are outstanding currency option contracts, which have been designated as cash flow hedges as at:

December 31, 2017			
Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
U.S. Dollar	63	1,476	58
Sterling Pound	54	322	2
Euro	51	271	9
Australian Dollar	36	189	17

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March 31, 2017

Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
U.S. Dollar	6	150	9
Sterling Pound	45	318	60
Euro	27	198	40
Australian Dollar	6	60	11

The following are outstanding foreign exchange forwards contracts, which have been designated as cash flow hedges as at:

December 31, 2017

Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
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Nil

March 31, 2017

Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
Sterling Pound	5	125	5
Euro	3	91	15

The movement in hedging reserve for derivatives designated as cash flow hedges is as follows:

	(₹ crores)			
	Period ended		Year ended	
	December 31, 2017		March 31, 2017	
	Intrinsic Value	Time Value	Intrinsic Value	Time Value
Balance at the beginning of the period/year	105	(17)	68	(19)
(Gains)/losses transferred to the statement of profit and loss on occurrence of forecasted hedge transactions	(110)	227	(743)	235
Deferred tax on (gains)/losses transferred to the statement of profit and loss on occurrence of forecasted hedge transactions	13	(28)	104	(31)
Changes in the fair value of effective portion of Cash Flow Hedges	12	(269)	784	(232)
Deferred tax on fair value of effective portion of Cash Flow Hedges	(1)	32	(108)	30
Balance at the end of the period/year	19	(55)	105	(17)

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In addition to the above cash flow hedges, the Company has outstanding foreign exchange forwards, currency options and futures contracts with notional amount aggregating ₹ 23,007 crores (March 31, 2017 : ₹ 19,159 crores) whose fair value showed a net gain of ₹ 51 crores as at December 31, 2017 (March 31, 2017 : net gain ₹ 412 crores) respectively. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting.

Exchange gain for the quarter ended December 31, 2017 of ₹ 425 crores (December 31, 2016: Exchange gain of ₹ 308 crores) on foreign exchange forwards, currency options and futures contracts has been recognised in the statement of profit and loss.

Exchange gain for the nine months ended December 31, 2017 of ₹ 218 crores (December 31, 2016: Exchange gain of ₹ 1,010 crores) on foreign exchange forwards, currency options and futures contracts has been recognised in the statement of profit and loss.

20) Commitments and Contingencies

(i) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 819 crores.

(ii) Contingencies

Direct tax matters

The Company has ongoing disputes with Income Tax authorities in India and in some of the jurisdictions where it operates. The disputes relate to tax treatment of certain expenses claimed as deductions, computation or eligibility of tax incentives or allowances, and characterization of fees for services received. As at December 31, 2017, the Company has contingent liability of ₹ 4,469 crores in respect of tax demands which are being contested by the Company on the advice of tax consultants. In respect of tax contingencies of ₹ 318 crores, not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

Indirect tax matters

The Company has ongoing disputes with tax authorities mainly relating to treatment of characterisation and classification of certain items. As at December 31, 2017, the Company has demands amounting to ₹ 264 crores from various indirect tax authorities which are being contested by the Company based on Management evaluation and on the advice of tax consultants.

Other claims

As at December 31, 2017, claims aggregating ₹ 2,937 crores against the Company have not been acknowledged as debts.

In October 2014, Epic Systems Corporation (referred to as Epic) filed a legal claim against the Company in the Court of Western District Madison, Wisconsin for alleged infringement of Epic's proprietary information. In April 2016, the Company received an unfavorable jury verdict awarding damages totaling ₹ 6,145 crores (US \$ 940 million) to Epic. In September 2017, the Company received a Court order reducing the damages from ₹ 6,145 crores (US \$ 940 million) to ₹ 2,681 crores (US \$ 420 million) to Epic. The Company has received legal advice to the effect that the order and the reduced damages awarded are not supported by evidence presented during the Trial and a strong appeal can be made to superior court to fully set aside the Order. During the current quarter, pursuant to US Court procedures, a letter of credit has been made available to Epic for ₹ 2,809 crores (US \$ 440 million) as financial security in order to stay execution of the judgment pending post-judgment proceedings and appeal. Accordingly, an amount of ₹ 2,809 crores (US \$ 440 million) is disclosed as Contingent Liability.

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Bank guarantees and letters of comfort

The Company has given letter of comfort to bank for credit facilities availed by its subsidiary Tata America International Corporation. As per the terms of letter of comfort, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiaries and provide such managerial, technical and financial assistance to ensure continued successful operations of the subsidiary.

The Company has provided guarantees to third parties on behalf of its subsidiaries aggregating ₹ 4,142 crores. The Company does not expect any outflow of resources in respect of the above.

21) Segment Reporting

The Company publishes this condensed interim financial statements along with the condensed consolidated interim financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the condensed consolidated interim financial statements.

22) Related Party Transactions

The Company paid an amount of ₹ 3,870 crores to Tata Sons Limited, the holding company towards final dividend as approved by the shareholders in the Annual General Meeting. Additionally, the Company also paid an amount of ₹ 1,970 crores towards Interim dividend as approved by the Board of Directors at its meeting.

The Company paid ₹ 10,278 crores towards buy-back of equity shares to Tata Sons Limited, the holding company.

Other than above, the Company's material related party transactions and outstanding balances are with its subsidiaries with whom the Company routinely enters into transactions in the ordinary course of business.

23) Subsequent Events

The Board of Directors at its meeting held on January 11, 2018 has recommended an interim dividend of ₹ 7.00 per equity share.