TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Balance Sheet as at June 30, 2017 and March 31, 2017

(₹ crores)

	Note	As at June 30, 2017	As at March 31, 2017
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3	9,386	9,214
(b) Capital work-in-progress		1,582	1,477
(c) Intangible assets	4	15	17
(d) Financial assets			
(i) Investments	5(i)	2,202	2,201
(ii) Loans	6(i)	6	6
(iii) Other financial assets	7(i)	674	638
(e) Income tax assets (net)		4,130	4,560
(f) Deferred tax assets (net)		2,553	2,447
(g) Other assets	8(i)	732	579
Total non-currrent assets		21,280	21,139
Current assets			
(a) Inventories		29	21
(b) Financial assets			
(i) Investments	5(ii)	26,704	40,729
(ii) Trade receivables	9	17,966	16,649
(iii) Unbilled revenue		4,805	4,235
(iv) Cash and cash equivalents	10	905	790
(v) Other balances with banks	11	555	526
(vi) Loans	6(ii)	304	2,704
(vii) Other financial assets	7(ii)	1,311	1,418
(c) Other assets	8(ii)	1,242	1,547
Total current assets		53,821	68,619
TOTAL ASSETS		**75,101**	**89,758**
EQUITY AND LIABILITIES			
Equity			
(a) Share capital	12	191	197
(b) Other equity		62,415	77,825
Total equity		62,606	78,022
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Long-term borrowings	13(i)	43	44
(ii) Other financial liabilities	14(i)	235	245
(b) Employee benefit obligation		62	63
(c) Provisions		46	39
(d) Deferred tax liabilities (net)		379	314
(e) Other liabilities	15(i)	324	330
Total non-current liabilities		1,089	1,035
Current liabilities			
(a) Financial liabilities			
(i) Short-term borrowings	13(ii)	-	200
(ii) Trade and other payables		5,294	4,874
(iii) Other financial liabilities	14(ii)	947	1,262
(b) Unearned and deferred revenue		1,096	1,126
(c) Current income tax liabilities (net)		1,458	1,046
(d) Employee benefit obligation		1,468	1,376
(e) Provisions		119	66
(f) Other liabilities	15(ii)	1,024	751
Total current liabilities		11,406	10,701
TOTAL EQUITY AND LIABILITIES		**75,101**	**89,758**
NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS	1-24		

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

Rajesh Gopinathan
CEO and Managing Director

N. Ganpathy Subramaniam
COO and Executive Director

Aarthi Subramanian
Executive Director

Yezdi Nagporewalla
Partner
Membership number: 049265

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 13, 2017

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statement of Profit and Loss for the periods ended June 30, 2017 and 2016

(₹ crores)

		Note	For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
I.	Revenue from operations		23,476	23,087
II.	Other income (net)	16	2,414	979
III.	**TOTAL INCOME**		**25,890**	**24,066**
IV.	**Expenses:**			
	(a) Employee benefit expenses	17	12,740	11,891
	(b) Other operating expenses	18	4,450	4,389
	(c) Finance costs		21	6
	(d) Depreciation and amortisation expense		396	386
	TOTAL EXPENSES		**17,607**	**16,672**
V.	**PROFIT BEFORE TAX**		8,283	7,394
VI.	**Tax expense:**			
	(a) Current tax		1,705	1,639
	(b) Deferred tax		(92)	(23)
	TOTAL TAX EXPENSE		**1,613**	**1,616**
VII.	**PROFIT FOR THE PERIOD**		**6,670**	**5,778**
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		214	144
	(b) Net changes in fair values of intrinsic value of cash flow hedges		(164)	28
	(c) Net changes in fair values of time value of cash flow hedges		(28)	49
	(ii) Income tax on items that will be reclassified subsequently to statement of profit and loss		(51)	(61)
(B)	**(i) Items that will not be reclassified subsequently to the statement of profit and loss**			
	(a) Remeasurement of defined employee benefit plans		31	(33)
	(b) Net changes in fair values of investments in equity shares carried at fair value through OCI		-	(21)
	(ii) Income tax on items that will not be reclassified subseqently to the statement of profit and loss		-	-
	TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)		2	106
IX.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**		**6,672**	**5,884**
X.	**Earnings per equity share: - Basic and diluted (₹)**	19	34.11	29.32
	Weighted average number of equity shares (face value of ₹ 1 each)		195,56,21,695	197,04,27,941
XI.	**NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**	1-24		

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

Rajesh Gopinathan
CEO and Managing Director

N. Ganpathy Subramaniam
COO and Executive Director

Aarthi Subramanian
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Yezdi Nagporewalla
Partner
Membership number: 049265

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 13, 2017

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statement of Changes in Equity for the periods ended June 30, 2017 and 2016

A. EQUITY SHARE CAPITAL

(₹ crores)

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at June 30, 2016
197	-	197

(₹ crores)

Balance as at April 1, 2017	Changes in equity share capital during the period *	Balance as at June 30, 2017
197	(6)	191

* Refer note 12

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statement of Changes in Equity for the periods ended June 30, 2017 and 2016

B. OTHER EQUITY

(₹ crores)

	Reserves and surplus						Items of other comprehensive income			
							Investment revaluation reserve	Cash flow hedging reserve		Total Equity
	Capital reserve *	Securities premium	Capital redemption reserve	General reserve	Special Economic Zone re-investment reserve	Retained earnings		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	-	-	-	-	-	5,778	-	-	-	5,778
Other comprehensive income	-	-	-	-	-	(33)	73	24	42	106
Total comprehensive income	-	-	-	-	-	5,745	73	24	42	5,884
Dividend (including tax on dividend)	-	-	-	-	-	(6,400)	-	-	-	(6,400)
Balance as at June 30, 2016	**-**	**1,919**	**100**	**9,118**	**-**	**52,921**	**127**	**92**	**23**	**64,300**
Balance as at April 1, 2017	-	1,919	100	9,118	97	65,965	538	105	(17)	77,825
Profit for the period	-	-	-	-	-	6,670	-	-	-	6,670
Other comprehensive income	-	-	-	-	-	31	140	(144)	(25)	2
Total comprehensive income	-	-	-	-	-	6,701	140	(144)	(25)	6,672
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	367	(367)	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	-	(98)	98	-	-	-	-
Buyback of equity shares (Refer note 12)	-	(1,919)	6	(9,118)	-	(4,963)	-	-	-	(15,994)
Expenses for buyback of equity shares (Refer note 12)	-	-	-	-	-	(46)	-	-	-	(46)
Dividend (including tax on dividend)	-	-	-	-	-	(6,042)	-	-	-	(6,042)
Balance as at June 30, 2017	**-**	**-**	**106**	**-**	**366**	**61,346**	**678**	**(39)**	**(42)**	**62,415**

* represents values less than ₹ 0.50 crore.

NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS 1-24

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

Rajesh Gopinathan
CEO and Managing Director

N. Ganpathy Subramaniam
COO and Executive Director

Aarthi Subramanian
Executive Director

Yezdi Nagporewalla
Partner
Membership number: 049265

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 13, 2017

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statement of Cash Flow for the periods ended June 30, 2017 and 2016

		For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
		(₹ crores)	
I	**NET CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit before tax	8,283	7,394
	Adjustments for:		
	Depreciation and amortisation expense	396	386
	Bad debts and advances written off , allowance for doubtful trade receivable and advances (net)	32	37
	Finance costs	21	6
	Gain on disposal of property, plant and equipment	-	(3)
	Exchange difference on translation of foreign currency cash and cash equivalents	(29)	13
	Dividend income (including exchange gain)	(1,453)	(15)
	Interest income	(568)	(569)
	Net gain on investments	(260)	(77)
	Operating profit before working capital changes	6422	7,172
	Inventories	(8)	(4)
	Unbilled revenue	(570)	(432)
	Trade receivables	(1,347)	(448)
	Loans	(26)	193
	Other financial assets	(211)	(84)
	Other assets	145	303
	Trade and other payables	420	(455)
	Unearned and deferred revenue	(30)	7
	Other financial liabilities	(576)	(102)
	Other liabilities and provisions	447	346
	Cash generated from operations	4,666	6,496
	Taxes paid (net of refunds)	(863)	(1,266)
	Net cash provided by operating activites	**3,803**	**5,230**
II	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Inter-corporate deposits placed	-	(555)
	Purchase of investments	(27,920)	(22,163)
	Payments for purchase of property, plant and equipment	(507)	(515)
	Earmarked deposits placed with banks	-	-
	Proceeds from bank deposits	-	-
	Proceeds from inter-corporate deposits	2,425	500
	Proceeds from disposal / redemption of investments	42,417	18,344
	Proceeds from disposal of property, plant and equipment	1	12
	Proceeds from earmarked deposits with banks	-	400
	Dividend received from subsidiaries (including exchange gain)	1,448	15
	Dividend received from other investments	5	-
	Interest received	721	456
	Net cash provided by / (used in) investing activities	**18,590**	**(3,506)**

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statement of Cash Flow for the periods ended June 30, 2017 and 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)	(107)
Dividend paid (including dividend tax)	(6,042)	(5,320)
Repayment of finance lease obligations	(2)	(5)
Interest paid	(21)	(6)
Net cash used in financing activities	**(22,307)**	**(5,438)**
Net change in cash and cash equivalents	86	(3,714)
Cash and cash equivalents at the beginning of the period	790	4,383
Exchange difference on translation of foreign currency cash and cash equivalents	29	(13)
Cash and cash equivalents at the end of the period	**905**	**656**

IV NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS 1-24

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

Yezdi Nagporewalla
Partner
Membership number: 049265

Mumbai, July 13, 2017

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N. Ganpathy Subramaniam
COO and Executive Director

Aarthi Subramanian
Executive Director

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

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 June 30, 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 June 30, 2017 were approved by the Board of Directors and authorised for issue on July 13, 2017.

2) SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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 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 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.

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 for the same 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

The Company earns revenue primarily from providing information technology and consultancy services, including services under contracts for software development, implementation and other related services, licensing and sale of its own software, business process services and maintenance of equipment.

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, indirect and service taxes.

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

(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.

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 units 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 asset 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.

The Company recognises interest levied and penalties related to income tax assessments in finance costs.

(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.

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.

(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 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.

(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.

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	-	218	85	16	154	2	34	22	36	567
Disposals	-	(1)	-	-	(44)	(1)	(7)	(3)	(2)	(58)
Cost as at June 30, 2017	**327**	**6,854**	**1,497**	**408**	**5,240**	**32**	**1,970**	**1,620**	**1,242**	**19,190**
Accumulated depreciation as at April 1, 2017	-	(1,444)	(862)	(73)	(4,005)	(22)	(1,401)	(778)	(882)	(9,467)
Depreciation for the period	-	(85)	(30)	(10)	(150)	(1)	(55)	(35)	(28)	(394)
Disposals	-	1	-	-	43	1	7	3	2	57
Accumulated depreciation as at June 30, 2017	**-**	**(1,528)**	**(892)**	**(83)**	**(4,112)**	**(22)**	**(1,449)**	**(810)**	**(908)**	**(9,804)**
Net carrying amount as at June 30, 2017	**327**	**5,326**	**605**	**325**	**1,128**	**10**	**521**	**810**	**334**	**9,386**

(₹ 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 ₹ * crore (March 31, 2017: ₹ 1 crore) and leasehold improvements of ₹ 34 crores (March 31, 2017 : ₹ 36 crores) are under finance lease.

* Values less than ₹ 0.50 crore.

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 June 30, 2017	**68**
Accumulated amortisation as at April 1, 2017	(51)
Amortisation for the period	(2)
Disposals / derecognised	-
Accumulated amortisation as at June 30, 2017	**(53)**
Net carrying amount as at June 30, 2017	**15**

(₹ 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**

5) INVESTMENTS

Investments consist of the following:

(i) Investments – Non - current

	As at June 30, 2017	As at March 31, 2017
		(₹ crores)
(A) Investment in subsidiaries		
Fully paid equity shares (unquoted)	2,124	2,124
(B) Investments carried at fair value through profit and loss		
Mutual and other funds (unquoted)	56	55
(C) Investments designated at fair value through OCI		
Fully paid equity shares (unquoted)	22	22
	2,202	2,201

(ii) Investments – Current

	As at June 30, 2017	As at March 31, 2017
		(₹ crores)
(A) Investment carried at fair value through profit and loss		
Mutual and other funds (unquoted)	3,453	18,730
(B) Investment carried at fair value through OCI		
Government securities (quoted)	23,251	21,999
	26,704	40,729

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

Details of investment in subsidiaries is as follows:

	As at June 30, 2017 (₹ crores)	As at March 31, 2017 (₹ crores)
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

* represents values less than ₹ 0.50 crore.

6) LOANS

Loans (unsecured) consist of the following:

(i) Long-term loans

	As at June 30, 2017 (₹ crores)	As at March 31, 2017 (₹ crores)
Considered good		
(i) Loans and advances to employees	6	6
	6	6

(ii) Short-term loans

	As at June 30, 2017 (₹ crores)	As at March 31, 2017 (₹ crores)
(a) Considered good		
(i) Loans and advances to employees	304	279
(ii) Inter-corporate deposits	-	2,425
(b) Considered doubtful		
(i) Loans and advances to employees	57	56
Less: Allowance for loans and advances to employees	(57)	(56)
	304	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

	As at June 30, 2017 (₹ crores)	As at March 31, 2017 (₹ crores)
(a) Security deposits	674	638
	674	638

(ii) Current financial assets

	As at June 30, 2017 (₹ crores)	As at March 31, 2017 (₹ crores)
(a) Interest receivable	545	697
(b) Fair value of foreign exchange forward and currency option contracts	388	572
(c) Security deposits	200	119
(d) Others	178	30
	1,311	1,418

8) OTHER ASSETS

Other assets consist of the following:

(i) Other non-current assets

(₹ crores)

		As at June 30, 2017	As at March 31, 2017
Considered good			
(a)	Capital advances	139	142
(b)	Advances to related parties	4	6
(c)	Prepaid expenses	263	191
(d)	Prepaid rent	227	228
(e)	Indirect taxes recoverable	3	4
(f)	Others	96	8
		732	579

Advances to related parties, considered good, comprise:

	As at June 30, 2017	As at March 31, 2017
Voltas Limited	4	6

(ii) Other current assets

(₹ crores)

		As at June 30, 2017	As at March 31, 2017
(i) Considered good			
(a)	Prepaid expense	919	1,101
(b)	Prepaid rent	18	17
(c)	Advance to suppliers	86	148
(d)	Advance to related parties	1	1
(e)	Indirect taxes recoverable	160	262
(f)	Other advances	9	13
(g)	Other current assets	49	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)
		1,242	1,547

Advances to related parties, considered good, comprise:

	As at June 30, 2017	As at March 31, 2017
TCS e-Serve International Limited	1	-
The Titan Company Limited	-	1

9) TRADE RECEIVABLES

Trade receivables (Unsecured) consist of the following:

	As at June 30, 2017	As at March 31, 2017
	(₹ crores)	
(a) Considered good	17,966	16,649
(b) Considered doubtful	604	571
	18,570	17,220
Less: Allowance for doubtful receivables	(604)	(571)
	17,966	16,649

10) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	As at June 30, 2017	As at March 31, 2017
	(₹ crores)	
(i) Balances with banks		
In current accounts	890	724
In deposit accounts	-	-
(ii) Cheques on hand	4	5
(iii) Cash on hand	1	1
(iv) Remittances in transit	10	60
	905	790

11) OTHER BALANCES WITH BANKS

Other bank balances consist of the following:

	As at June 30, 2017	As at March 31, 2017
	(₹ crores)	
(i) Earmarked balances with banks	140	111
(ii) Short-term bank deposits	415	415
	555	526

Earmarked balances with banks significantly pertains to buy-back, unclaimed dividends and margin money for derivative contracts.

12) SHARE CAPITAL

The authorised, issued, subscribed and fully paid-up share capital comprises of equity shares and redeemable preference shares having a par value of ₹ 1 each as follows:

	As at June 30, 2017	As at March 31, 2017
		(₹ crores)
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
	565	565
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)	191	197
	191	197

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 has 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 ₹ 16,046 crores (including ₹ 45 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).

13) BORROWINGS

Borrowings consist of the following:

(i) Long-term borrowings (Secured)

	As at June 30, 2017	As at March 31, 2017
	(₹ crores)	
Long-term maturities of obligations under finance lease	43	44
	43	44

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

(ii) Short-term borrowings (Unsecured)

	As at June 30, 2017	As at March 31, 2017
	(₹ crores)	
Overdraft from banks	-	200
	-	200

14) OTHER FINANCIAL LIABILITIES

Other financial liabilities consist of the following:

(i) Other non-current financial liabilities

	As at June 30, 2017	As at March 31, 2017
	(₹ crores)	
(a) Capital creditors	7	17
(b) Others	228	228
	235	245

Others include advance taxes paid of ₹ 227 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 June 30, 2017	As at March 31, 2017
(a)	Current maturities of obligations under finance lease	5	6
(b)	Unclaimed dividends	38	25
(c)	Fair value of foreign exchange forward and currency option contracts	164	20
(d)	Capital creditors	443	272
(e)	Liability towards customer contracts	158	834
(f)	Others	139	105
		947	1,262

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

15) OTHER LIABILITIES

Other liabilities consist of the following:

(i) Other non-current liabilities

(₹ crores)

		As at June 30, 2017	As at March 31, 2017
(a)	Operating lease liabilities	324	330
		324	330

(ii) Other current liabilities

(₹ crores)

		As at June 30, 2017	As at March 31, 2017
(a)	Advance received from customers	47	49
(b)	Indirect tax payable and other statutory liabilities	860	629
(c)	Operating lease liabilities	83	49
(d)	Others	34	24
		1,024	751

16) OTHER INCOME (NET)

Other income (net) consist of the following:

		(₹ crores)	
		For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
(a)	Interest income	568	569
(b)	Dividend income	1,451	15
(c)	Net gain on investments carried at fair value through statement of profit and loss	260	77
(d)	Net gain on disposal of property, plant and equipment	-	3
(e)	Net foreign exchange gains	118	300
(f)	Rent income	1	1
(g)	Miscellaneous income	16	14
		2,414	979
	Interest income comprise:		
	Interest on bank and bank deposits	15	52
	Interest income on financial assets carried at amortised cost	37	118
	Interest income on financial assets carried at fair value through OCI	443	399
	Other interest (including interest on income tax refunds)	73	-
	Dividend income comprise:		
	Dividends from subsidiaries	1,446	15
	Dividends from mutual funds / other investments	5	-
	Net foreign exchange gains include:		
	Gain/(loss) (net) on foreign exchange forward and currency option contracts transferred from Cash Flow Hedging Reserve (Refer note 20)	24	21

17) EMPLOYEE BENEFIT EXPENSES

Employee benefit expense consist of the following:

		(₹ crores)	
		For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
(a)	Salaries, incentives and allowances	11,660	10,835
(b)	Contributions to provident and other funds	769	749
(c)	Staff welfare expenses	311	307
		12,740	11,891

TATA CONSULTANCY SERVICES LIMITED

Notes forming part of the Condensed Interim Financial Statements

18) OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

		For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
			(₹ crores)
(a)	Fees to external consultants	1,540	1,719
(b)	Facility running expenses	748	693
(c)	Cost of equipment and software licenses	550	387
(d)	Travel expenses	591	562
(e)	Communication expenses	189	191
(f)	Bad debts and advances written off, allowance for doubtful trade receivable and advances (net)	32	37
(g)	Other expenses	800	800
		4,450	4,389

19) EARNINGS PER SHARE (EPS)

	For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
Profit for the period (₹ crores)	6,670	5,778
Weighted average number of equity shares	195,56,21,695	197,04,27,941
Earning per share basic and diluted (₹)	34.11	29.32
Face value per equity share (₹)	1	1

20) 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 3(j) to the financial statements.

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as of June 30, 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	-	-	-	-	905	905
Other balances with banks	-	-	-	-	140	140
Bank deposits	-	-	-	-	415	415
Trade receivables	-	-	-	-	17,966	17,966
Investments (Other than in Subsidiary)	3,509	23,273	-	-	-	26,782
Unbilled revenues	-	-	-	-	4,805	4,805
Loans	-	-	-	-	310	310
Other financial assets	-	-	73	315	1,597	1,985
Total	**3,509**	**23,273**	**73**	**315**	**26,138**	**53,308**
Financial Liabilities:						
Trade and other payables	-	-	-	-	5,294	5,294
Borrowings	-	-	-	-	43	43
Other financial liabilities	-	-	60	104	1,018	1,182
Total	**-**	**-**	**60**	**104**	**6,355**	**6,519**

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
Other 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 and other payables	-	-	-	-	4,874	4,874
Borrowings	-	-	-	-	244	244
Other financial liabilities	-	-	-	20	1,487	1,507
Total	**-**	**-**	**-**	**20**	**6,605**	**6,625**

Carrying amounts of cash and cash equivalents, trade receivables, unbilled revenues, loans and trade and other payables as at June 30, 2017 and March 31, 2017 approximate the fair value because of their short-term nature. 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):

(₹ crores)

As at June 30, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Mutual fund units	3,509	-	-	3,509
Equity Shares	-	-	22	22
Government Securities	23,251	-	-	23,251
Derivative financial assets	-	388	-	388
Total	**26,760**	**388**	**22**	**27,170**
Financial liabilities:				
Derivative financial liabilities	-	164	-	164
Total	**-**	**164**	**-**	**164**

(₹ 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 forward, option and future 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:

	June 30, 2017		
Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
U.S. Dollar	66	1602	53
Sterling Pound	69	402	3
Euro	48	258	-
Australian dollar	9	72	2

	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 currency Forward contracts, which have been designated as cash flow hedges as at:

	June 30, 2017		
Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
Sterling Pound	5	125	(20)
Australian dollar	7	143	(10)
Euro	3	91	(15)

	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 June 30, 2017		Year ended March 31, 2017	
	Intrinsic Value	Time Value	Intrinsic Value	Time Value
Balance at the beginning of the period/year	105	(17)	68	(19)
Changes in the fair value of effective portion of cash flow hedges	(72)	(96)	784	(232)
Deferred tax on fair value of effective portion of cash flow hedges	9	11	(108)	30
(Gains) / losses transferred to the statement of profit and loss on occurrence of forecasted hedge transactions	(92)	68	(743)	235
Deferred tax on losses/(gains)transferred to the statement of profit and loss on occurrence of forecasted hedge transactions	11	(8)	104	(31)
Balance at the end of the period/year	(39)	(42)	105	(17)

Net loss on derivative instruments of ₹ 81 crores recognised in Hedging Reserve as at June 30, 2017, is expected to be transferred to the statement of profit and loss by June 30, 2018.

In addition to the above cash flow hedges, the Company has outstanding foreign exchange forwards, options and future contracts with notional amount aggregating ₹ 20,550 crores and ₹ 19,159 crores whose fair value showed a net gain of ₹ 211 crores and ₹ 412 crores as at June 30, 2017 and March 31, 2017 respectively. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting.

Exchange loss of ₹ 68 crores (June 30, 2016: Exchange gain of ₹ 226 crores) on foreign exchange forwards, options and future contracts for the quarter ended June 30, 2017 have been recognised in the statement of profit and loss.

21) COMMITMENTS AND CONTINGENCIES

(i) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) 1,110 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 June 30, 2017, the Company has contingent liability of ₹ 2,939 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 June 30, 2017, the Company has demands amounting to ₹ 260 crores from various indirect tax authorities which are being contested by the Company on the advice of tax consultants.

The Company periodically receives notices and inquiries from tax authorities related to its operations in the jurisdictions it operates in. On evaluation, the Company has concluded that any resultant tax claim or demand, if any, will not have a material adverse impact on the results of the Company's operation or its financial position.

Other claims

The Company has examined the social security and tax aspects of contracts with legal entities which provide services to an overseas subsidiary and, based on legal opinion, concludes that the subsidiary is in compliance with the related statutory requirements.

As at June 30, 2017, claims aggregating ₹ 6,205 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 intellectual property. In April 2016, the Company received an unfavorable jury verdict awarding damages totaling ₹ 6,086 crores (US $ 941 million) to Epic which the trial judge has indicated his intent to reduce. On the basis of legal opinion and legal precedence, the Company expects to defend itself against the claim and believes that the claim will not sustain.

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 subsidiaries.

The Company has provided guarantees to third parties on behalf of its subsidiaries aggregating ₹ 2,009 crores. The Company does not expect any outflow of resources in respect of the above.

22) SEGMENT REPORTING

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

23) 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 held on June 16, 2017.

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.

24) SUBSEQUENT EVENTS

The Board of Directors at its meeting held on July 13, 2017 has recommended an interim dividend of ₹ 7 per equity share.