# TATA CONSULTANCY SERVICES LIMITED
## Condensed Interim Balance Sheet

| | Note | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|---|
| | | | (₹ crore) |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7(a) | 9,410 | 9,522 |
| Capital work-in-progress | | 888 | 834 |
| Right-of-use asset | 6 | 4,621 | - |
| Intangible assets | 7(b) | 193 | 139 |
| Financial assets | | | |
| Investments | 5(a) | 2,189 | 2,189 |
| Trade receivables | 5(b) | 54 | 95 |
| Unbilled receivables | | 337 | 387 |
| Loans receivables | 5(e) | 2 | 2 |
| Other financial assets | 5(f) | 560 | 565 |
| Income tax assets (net) | | 3,226 | 3,598 |
| Deferred tax assets (net) | | 1,701 | 2,097 |
| Other assets | 7(c) | 1,504 | 1,040 |
| **Total non-current assets** | | **24,685** | **20,468** |
| **Current assets** | | | |
| Inventories | 7(d) | 7 | 10 |
| Financial assets | | | |
| Investments | 5(a) | 29,248 | 28,280 |
| Trade receivables | 5(b) | 24,456 | 24,029 |
| Unbilled receivables | | 5,518 | 4,389 |
| Cash and cash equivalents | 5(c) | 1,951 | 3,327 |
| Other balances with banks | 5(d) | 10,936 | 5,573 |
| Loans receivables | 5(e) | 7,430 | 7,018 |
| Other financial assets | 5(f) | 1,609 | 1,613 |
| Other assets | 7(c) | 5,845 | 4,793 |
| **Total current assets** | | **87,000** | **79,032** |
| **TOTAL ASSETS** | | **111,685** | **99,500** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 5(k) | 375 | 375 |
| Other equity | | 85,496 | 78,523 |
| **Total equity** | | **85,871** | **78,898** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Lease liabilities | | 4,202 | 33 |
| Other financial liabilities | 5(g) | 229 | 232 |
| Unearned and deferred revenue | | 426 | 662 |
| Employee benefit obligations | 10 | 74 | 82 |
| Deferred tax liabilities (net) | | 420 | 339 |
| Other liabilities | 7(e) | - | 358 |
| **Total non-current liabilities** | | **5,351** | **1,706** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Lease liabilities | | 738 | - |
| Trade payables | | | |
| Dues of micro enterprises and small enterprises | | 24 | 22 |
| Dues of creditors other than micro enterprises and small enterprises | | 7,710 | 7,670 |
| Other financial liabilities | 5(g) | 3,369 | 3,351 |
| Unearned and deferred revenue | | 1,968 | 1,804 |
| Income tax liabilities (net) | | 2,481 | 2,157 |
| Employee benefit obligations | 10 | 2,079 | 1,776 |
| Provisions | | 141 | 174 |
| Other liabilities | 7(e) | 1,953 | 1,942 |
| **Total current liabilities** | | **20,463** | **18,896** |
| **TOTAL EQUITY AND LIABILITIES** | | **111,685** | **99,500** |

**NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

As per our report of even date attached

For **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration no: 101248W/W-100022

**Yezdi Nagporewalla**
*Partner*
Membership No: 049265

*Mumbai, October 10, 2019*

For and on behalf of the Board

**Rajesh Gopinathan**
*CEO and Managing Director*

**V Ramakrishnan**
*Chief Financial Officer*

**N Ganapathy Subramaniam**
*COO and Executive Director*

**Rajendra Moholkar**
*Company Secretary*

# TATA CONSULTANCY SERVICES LIMITED
## Condensed Interim Statement of Profit and Loss

| | Note | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|---|
| | | | | | (₹crore) |
| Revenue | 8 | 32,387 | 30,792 | 65,044 | 60,160 |
| Other income | 9 | 2,638 | 1,725 | 4,844 | 4,106 |
| **TOTAL INCOME** | | **35,025** | **32,517** | **69,888** | **64,266** |
| **Expenses** | | | | | |
| Employee benefit expenses | 10 | 16,207 | 14,812 | 31,930 | 28,938 |
| Cost of equipment and software licences | 11(a) | 380 | 464 | 855 | 1,029 |
| Depreciation and amortisation expense | | 664 | 424 | 1,300 | 839 |
| Other expenses | 11(b) | 6,806 | 6,534 | 13,604 | 12,823 |
| Finance costs | 12 | 99 | 130 | 332 | 142 |
| **TOTAL EXPENSES** | | **24,156** | **22,364** | **48,021** | **43,771** |
| **PROFIT BEFORE TAX** | | **10,869** | **10,153** | **21,867** | **20,495** |
| **Tax expense** | | | | | |
| Current tax | | 1,401 | 2,195 | 4,073 | 4,668 |
| Deferred tax | | 832 | 338 | 443 | 1,071 |
| **TOTAL TAX EXPENSE** | | **2,233** | **2,533** | **4,516** | **5,739** |
| **PROFIT FOR THE PERIOD** | | **8,636** | **7,620** | **17,351** | **14,756** |
| **OTHER COMPREHENSIVE INCOME (OCI)** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Remeasurement of defined employee benefit plans | | (52) | (44) | (51) | (87) |
| Net change in fair values of investments in equity shares carried at fair value through OCI | | - | (1) | - | (1) |
| **Income tax on items that will not be reclassified subsequently to profit or loss** | | (5) | - | (5) | - |
| **Items that will be reclassified subsequently to profit or loss** | | | | | |
| Net change in fair values of investments other than equity shares carried at fair value through OCI | | 195 | (68) | 557 | (735) |
| Net change in intrinsic value of derivatives designated as cash flow hedges | | (62) | (36) | (116) | (5) |
| Net change in time value of derivatives designated as cash flow hedges | | 33 | (85) | - | (72) |
| **Income tax on items that will be reclassified subsequently to profit or loss** | | (64) | 45 | (181) | 275 |
| **TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)** | | **45** | **(189)** | **204** | **(625)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **8,681** | **7,431** | **17,555** | **14,131** |
| **Earnings per equity share:- Basic and diluted (₹)** | 14 | 23.02 | 19.92 | 46.24 | 38.56 |
| Weighted average number of equity shares | | 375,23,84,706 | 382,52,62,553 | 375,23,84,706 | 382,69,09,816 |

**NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

As per our report of even date attached

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Firm's registration no: 101248W/W-100022

**Yezdi Nagporewalla**
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*Mumbai, October 10, 2019*

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**V Ramakrishnan**
*Chief Financial Officer*

**N Ganapathy Subramaniam**
*COO and Executive Director*

**Rajendra Moholkar**
*Company Secretary*

## TATA CONSULTANCY SERVICES LIMITED
## Condensed Interim Statement of Changes in Equity

**A. EQUITY SHARE CAPITAL**

(₹crore)

| Balance as at April 1, 2018 | Changes in equity share capital during the period* | Balance as at September 30, 2018 |
|---|---|---|
| 191 | 184 | 375 |

(₹ crore)

| Balance as at April 1, 2019 | Changes in equity share capital during the period | Balance as at September 30, 2019 |
|---|---|---|
| 375 | - | 375 |

*Refer note 5(k)

## TATA CONSULTANCY SERVICES LIMITED
## Condensed Interim Statement of Changes in Equity

**B. OTHER EQUITY**

(₹ crore)

| | Reserves and surplus | | | | Items of other comprehensive income | | | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Capital reserve[3] | Capital redemption reserve | Special Economic Zone re-investment reserve | Retained earnings | Investment revaluation reserve | Cash flow hedging reserve: Intrinsic value | Cash flow hedging reserve: Time value | |
| **Balance as at April 1, 2018** | **-** | **106** | **1,578** | **74,080** | **(18)** | **(2)** | **(69)** | **75,675** |
| Profit for the period | - | - | - | 14,756 | - | - | - | 14,756 |
| Other comprehensive income / (losses) | - | - | - | (87) | (479) | (4) | (55) | (625) |
| **Total comprehensive income** | **-** | **-** | **-** | **14,669** | **(479)** | **(4)** | **(55)** | **14,131** |
| Dividend (including tax on dividend of ₹ 1,174 crore) | - | - | - | (8,257) | - | - | - | (8,257) |
| Buy-back of equity shares[1] | - | 8 | - | (16,000) | - | - | - | (15,992) |
| Expenses for buy-back of equity shares[1] | - | - | - | (45) | - | - | - | (45) |
| Issue of bonus shares[1] | - | (106) | - | (86) | - | - | - | (192) |
| Realised loss on equity shares carried at fair value through OCI | - | - | - | (1) | 1 | - | - | - |
| **Balance as at September 30, 2018** | **-** | **8** | **1,578** | **64,360** | **(496)** | **(6)** | **(124)** | **65,320** |
| **Balance as at April 1, 2019** | **-** | **8** | **994** | **77,159** | **258** | **134** | **(30)** | **78,523** |
| Transition impact of Ind AS 116[2] | - | - | - | (330) | - | - | - | **(330)** |
| **Restated balance as at April 1, 2019** | **-** | **8** | **994** | **76,829** | **258** | **134** | **(30)** | **78,193** |
| Profit for the period | - | - | - | 17,351 | - | - | - | 17,351 |
| Other comprehensive income / (losses) | - | - | - | (56) | 363 | (103) | - | 204 |
| **Total comprehensive income** | **-** | **-** | **-** | **17,295** | **363** | **(103)** | **-** | **17,555** |
| Dividend (including tax on dividend of ₹ 1,621 crore) | - | - | - | (10,252) | - | - | - | (10,252) |
| Transfer to Special Economic Zone re-investment reserve | - | - | 1,500 | (1,500) | - | - | - | - |
| Transfer from Special Economic Zone re-investment reserve | - | - | (981) | 981 | - | - | - | - |
| **Balance as at September 30, 2019** | **-** | **8** | **1,513** | **83,353** | **621** | **31** | **(30)** | **85,496** |

[1]Refer note 5(k)
[2]Refer note 6
[3]Represents values less than ₹ 0.50 crore.

## TATA CONSULTANCY SERVICES LIMITED
## Condensed Interim Statement of Changes in Equity

**Nature and purpose of reserves**

**a. Capital reserve**
The Company recognises profit and loss on purchase, sale, issue or cancellation of the Company's own equity instruments to capital reserve.

**b. Capital redemption reserve**
As per Companies Act, 2013, capital redemption reserve is created when company purchases its own shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve. The reserve is utilised in accordance with the provisions of section 69 of the Companies Act, 2013.

**c. Special Economic Zone re-investment reserve**
The Special Economic Zone (SEZ) re-investment reserve is created out of the profit of eligible SEZ units in terms of the provisions of section 10AA(1)(ii) of the Income-tax Act, 1961. The reserve will be utilised by the Company for acquiring new assets for the purpose of its business as per the terms of section 10AA(2) of Income-tax Act, 1961.

**d. Investment revaluation reserve**
This reserve represents the cumulative gains and losses arising on the revaluation of equity and debt instruments on the balance sheet date measured at fair value through other comprehensive income. The reserves accumulated will be reclassified to retained earnings and profit and loss respectively, when such instruments are disposed.

**e. Cash flow hedging reserve**
The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to statement of profit and loss in the period in which the underlying hedged transaction occurs.

**NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

As per our report of even date attached

For **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration no: 101248W/W-100022

**Yezdi Nagporewalla**
*Partner*
Membership No: 049265

*Mumbai, October 10, 2019*

For and on behalf of the Board

**Rajesh Gopinathan**
*CEO and Managing Director*

**V Ramakrishnan**
*Chief Financial Officer*

**N Ganapathy Subramaniam**
*COO and Executive Director*

**Rajendra Moholkar**
*Company Secretary*

## TATA CONSULTANCY SERVICES LIMITED
## Condensed Interim Statement of Cash Flows

(₹ crore)

| | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Profit for the period** | 17,351 | 14,756 |
| **Adjustments to reconcile profit and loss to net cash provided by operating activities** | | |
| Depreciation and amortisation expense | 1,300 | 839 |
| Bad debts and advances written off, allowance for doubtful trade receivables and advances (net) | 86 | 80 |
| Tax expense | 4,516 | 5,739 |
| Finance costs | 332 | 142 |
| Net gain on disposal of property, plant and equipment | (37) | (27) |
| Unrealised foreign exchange (gain) / loss | (21) | (108) |
| Dividend income (Including exchange gain) | (2,119) | (2,355) |
| Interest income | (1,759) | (1,406) |
| Net gain on investments | (128) | (296) |
| Net gain on lease modification | (1) | - |
| **Operating profit before working capital changes** | **19,520** | **17,364** |
| **Net change in** | | |
| Inventories | 3 | 9 |
| Trade receivables | (463) | (7,980) |
| Unbilled receivables | (1,079) | 1,185 |
| Loans receivables and other financial assets | 154 | (101) |
| Other assets | (1,693) | (2,920) |
| Trade payables | 42 | 3,416 |
| Unearned and deferred revenue | (72) | 636 |
| Other financial liabilities | (1) | 707 |
| Other liabilities and provisions | 302 | 256 |
| **Cash generated from operations** | **16,713** | **12,572** |
| Taxes paid (net of refunds) | (3,377) | (2,937) |
| **Net cash generated from operating activities** | **13,336** | **9,635** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Bank deposits placed | (5,660) | - |
| Inter-corporate deposits placed | (5,144) | (7,972) |
| Purchase of investments | (38,220) | (49,037) |
| Payment for purchase of property, plant and equipment | (831) | (672) |
| Payment for acquiring right-of-use of assets | (545) | - |
| Payment for purchase of intangible assets | (85) | (66) |
| Earmarked deposits placed with banks | - | (16) |
| Proceeds from bank deposits | 300 | 2,000 |
| Proceeds from inter-corporate deposits | 4,750 | 10,242 |
| Proceeds from disposal / redemption of investments | 37,905 | 56,799 |
| Proceeds from disposal of property, plant and equipment | 115 | 29 |
| Dividend received from subsidiaries (including exchange gain) | 2,118 | 2,355 |
| Interest received | 1,497 | 1,469 |
| **Net cash generated from / (used in) investing activities** | **(3,800)** | **15,131** |

# TATA CONSULTANCY SERVICES LIMITED
## Condensed Interim Statement of Cash Flows

| | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|
| | | (₹ crore) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Buy-back of equity shares | - | (16,000) |
| Expenses for buy-back of equity shares | - | (45) |
| Short-term borrowings (net) | - | (181) |
| Dividend paid (including tax on dividend) | (10,252) | (8,257) |
| Repayment of lease liabilities | (341) | (2) |
| Interest paid | (332) | (142) |
| **Net cash used in financing activities** | **(10,925)** | **(24,627)** |
| **Net change in cash and cash equivalents** | **(1,389)** | **139** |
| Cash and cash equivalents at the beginning of the period | 3,327 | 1,278 |
| Exchange difference on translation of foreign currency cash and cash equivalents | 13 | 108 |
| **Cash and cash equivalents at the end of the period (Refer note 5(c))** | **1,951** | **1,525** |

**NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

As per our report of even date attached

For **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration no: 101248W/W-100022

**Yezdi Nagporewalla**
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*Mumbai, October 10, 2019*

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*COO and Executive Director*

**Rajendra Moholkar**
*Company Secretary*

**1) Corporate information**

Tata Consultancy Services Limited (referred to as "TCS Limited" or "the Company") provides IT services, consulting and business solutions and has been partnering with many of the world's largest businesses in their transformation journeys for the last fifty years. The Company offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions. This is delivered through its unique Location-Independent Agile delivery model recognised as a benchmark of excellence in software development.

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 September 30, 2019, Tata Sons Private Limited, the holding company owned 72.02% of the Company's equity share capital.

The Board of Directors approved the condensed interim financial statements for the period ended September 30, 2019 and authorised for issue on October 10, 2019.

**2) 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 Companies (Indian Accounting Standards) Rules as amended from time to time.

**3) Basis of preparation**

These condensed interim financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair value or amortised cost at the end of each reporting period. 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. All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle. Based on the nature of services rendered to customers and time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration for such services rendered, the Company has considered an operating cycle of 12 months.

The statement of cash flows have been prepared under indirect method.

These condensed interim financial statements have been prepared in Indian Rupee (₹) which is the functional currency of the Company. Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are retranslated 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.

The significant accounting policies used in preparation of the financial statements have been discussed in the respective notes.

**4) 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 of 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.

The Company uses the following critical accounting estimates in preparation of its financial statements:

**a. Revenue recognition**

- The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.
- Contract fulfilment costs are generally expensed as incurred except for certain software licence costs which meet the criteria for capitalisation. Such costs are amortised over the contractual period or useful life of licence whichever is less. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

**b. 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.

**c. Impairment of investments in subsidiaries**

The Company reviews its carrying value of investments carried at cost (net of impairment, if any) 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.

**d. Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**e. Valuation of deferred tax assets**

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Accordingly, the Company exercises its judgement to reassess the carrying amount of deferred tax assets at the end of each reporting period.

**f. Provisions and contingent liabilities**

The Company estimates the provisions that have present obligations as a result of past events and it is probable that outflow of resources will be required to settle the obligations. These provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimates.

The Company uses significant judgements to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognised nor disclosed in the financial statements.

**g. Employee benefits**

The accounting of employee benefit plans in the nature of defined benefit requires the Company to use assumptions. These assumptions have been explained under employee benefits note.

**h. Leases**

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

**5) Financial assets, financial liabilities and equity 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.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

***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 ri seon 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 financia l 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 subsequent changes in the fair value of equity investments not held for trading in other comprehensive income.

***Financial assets at fair value through profit or loss***

Financial assets are measured at fair value through profit or loss unless they are 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 statement of profit and loss.

***Investment in subsidiaries***

Investment in subsidiaries are measured at cost less impairment loss, if any.

***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 issued by the Company are recognised at the proceeds received net of direct issue cost.

***Derivative accounting***

- **Instruments in hedging relationship**

  The Company designates certain foreign exchange forward, currency options and futures 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. The policies 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 Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. 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. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified in net foreign exchange gains 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.

- **Instruments not in hedging relationship**

  The Company enters into contracts that are effective as hedges from an economic perspective, but they do not qualify for hedge accounting. The change in the fair value of such instrument is recognised in statement of profit and loss.

***Impairment of 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. 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 allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months 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.

**(a) Investments**

Investments consist of the following:

**Investments – Non-current**

| | | **(₹ crore)** |
|---|---|---|
| | **As at September 30, 2019** | **As at March 31, 2019** |
| **Investment in subsidiaries** | | |
| Fully paid equity shares (unquoted) | 2,189 | 2,189 |
| **Investments designated at fair value through OCI** | | |
| Fully paid equity shares (unquoted) | | |
| Taj Air Limited | 19 | 19 |
| Less: Impairment in value of investments | (19) | (19) |
| | **2,189** | **2,189** |

**Investments – Current**

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | (₹ crore) |
| **Investments carried at fair value through profit or loss** | | |
| Mutual fund units (quoted) | 1,191 | 2,955 |
| Mutual fund units (unquoted) | - | 63 |
| **Investments carried at fair value through OCI** | | |
| Government bonds and securities (quoted) | 25,160 | 23,566 |
| Corporate bonds (quoted) | 2,699 | 1,206 |
| **Investment carried at amortised cost** | | |
| Certificate of deposits (quoted) | - | 490 |
| Commercial papers (quoted) | 198 | - |
| | **29,248** | **28,280** |

Aggregate value of quoted and unquoted investments is as follows:

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | (₹ crore) |
| Aggregate value of quoted investments | 29,248 | 28,217 |
| Aggregate value of unquoted investments (net of impairment) | 2,189 | 2,252 |
| Aggregate market value of quoted investments | 29,249 | 28,218 |
| Aggregate value of impairment of investments | 19 | 19 |

Market value of quoted investments carried at amortised cost is as follows:

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | (₹ crore) |
| Certificate of deposits | - | 491 |
| Commercial Paper | 199 | - |

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

(₹ crore)

| In Numbers | Currency | Face value per share | Investment in subsidiaries | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|---|---|---|
| | | | **Fully paid equity shares (unquoted)** | | |
| 212,27,83,424 | UYU | 1 | TCS Iberoamerica SA | 461 | 461 |
| 15,75,300 | INR | 10 | APTOnline Limited | - | - |
| 1,300 | EUR | - | Tata Consultancy Services Belgium | 1 | 1 |
| 66,000 | EUR | 1,000 | Tata Consultancy Services Netherlands BV | 403 | 403 |
| 1,000 | SEK | 100 | Tata Consultancy Services Sverige AB | 19 | 19 |
| 1 | EUR | - | Tata Consultancy Services Deutschland GmbH | 2 | 2 |
| 20,000 | USD | 10 | Tata America International Corporation | 453 | 453 |
| 75,82,820 | SGD | 1 | Tata Consultancy Services Asia Pacific Pte Ltd. | 19 | 19 |
| 3,72,58,815 | AUD | 1 | TCS FNS Pty Limited | 212 | 212 |
| 10,00,001 | GBP | 1 | Diligenta Limited | 429 | 429 |
| 1,000 | USD | - | Tata Consultancy Services Canada Inc.* | - | - |
| 100 | CAD | 70,653.61 | Tata Consultancy Services Canada Inc. | 31 | 31 |
| 51,00,000 | INR | 10 | C-Edge Technologies Limited | 5 | 5 |
| 8,90,000 | INR | 10 | MP Online Limited | 1 | 1 |
| 1,40,00,000 | ZAR | 1 | Tata Consultancy Services (Africa) (PTY) Ltd. | 66 | 66 |
| 18,89,005 | INR | 10 | MahaOnline Limited | 2 | 2 |
| - | QAR | - | Tata Consultancy Services Qatar S.S.C. | 2 | 2 |
| 16,00,01,000 | USD | 0.01 | CMC Americas, Inc. | 8 | 8 |
| 10,00,000 | INR | 100 | TCS e-Serve International Limited | 10 | 10 |
| 1,00,500 | GBP | 0.00001 | W12 Studios Limited (w.e.f. October 31, 2018) | 66 | 66 |
| 10,00,000 | INR | 10 | TCS Foundation | - | - |
| | | | | 2,189 | 2,189 |

(₹ crore)

| In Numbers | Currency | Face value per share | Investments designated at fair value through OCI | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|---|---|---|
| | | | **Fully paid equity shares (unquoted)** | | |
| 1,90,00,000 | INR | 10 | Taj Air Limited | 19 | 19 |
| | | | Less : Impairment in value of investments | (19) | (19) |
| | | | | - | - |

*Represents value less than ₹0.50 crore.

**(b) Trade receivables**

Trade receivables (unsecured) consist of the following:

**Trade receivables – Non-current**

(₹ crore)

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| Considered good | 608 | 569 |
| Less: Allowance for doubtful trade receivables | (554) | (474) |
| | **54** | **95** |

**Trade receivables – Current**

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | (₹ crore) |
| Considered good | 24,645 | 24,227 |
| Less: Allowance for doubtful trade receivables | (233) | (222) |
| | 24,412 | 24,005 |
| Credit impaired | 134 | 165 |
| Less: Allowance for doubtful trade receivables | (90) | (141) |
| | 44 | 24 |
| | **24,456** | **24,029** |

**(c) Cash and cash equivalents**

Cash and cash equivalents consist of the following:

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | (₹ crore) |
| **Balances with banks** | | |
| In current accounts | 1,874 | 2,919 |
| In deposit accounts | 75 | 406 |
| Cheques on hand | 2 | 2 |
| Cash on hand* | - | - |
| Remittances in transit* | - | - |
| | **1,951** | **3,327** |

*Represents value less than ₹0.50 crore.

**(d) Other balances with banks**

Other balances with banks consist of the following:

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | (₹ crore) |
| Earmarked balances with banks | 176 | 173 |
| Short-term bank deposits | 10,760 | 5,400 |
| | **10,936** | **5,573** |

Earmarked balances with banks primarily relate to margin money for purchase of investments, margin money for derivative contracts and unclaimed dividends.

**(e) Loans receivables**

Loans receivables (unsecured) consist of the following:

**Loans receivables – Non-current**

| | As at September 30, 2019 | As at March 31, 2019 (₹ crore) |
|---|---|---|
| **Considered good** | | |
| Loans and advances to employees | 2 | 2 |
| | **2** | **2** |

**Loans receivables – Current**

| | As at September 30, 2019 | As at March 31, 2019 (₹ crore) |
|---|---|---|
| **Considered good** | | |
| Inter-corporate deposits | 7,144 | 6,750 |
| Loans and advances to employees | 286 | 268 |
| **Credit impaired** | | |
| Loans and advances to employees | 24 | 61 |
| Less: Allowance on loans and advances to employees | (24) | (61) |
| | **7,430** | **7,018** |

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

**(f) Other financial assets**

Other financial assets consist of the following:

**Other financial assets – Non-current**

| | As at September 30, 2019 | As at March 31, 2019 (₹ crore) |
|---|---|---|
| Security deposits | 560 | 565 |
| | **560** | **565** |

**Other financial assets – Current**

| | As at September 30, 2019 | As at March 31, 2019 (₹ crore) |
|---|---|---|
| Security deposits | 99 | 101 |
| Fair value of foreign exchange derivative assets | 338 | 584 |
| Interest receivable | 1,065 | 770 |
| Others | 107 | 158 |
| | **1,609** | **1,613** |

**(g) Other financial liabilities**

Other financial liabilities consist of the following:

**Other financial liabilities – Non-current**

| | (₹ crore) | |
|---|---|---|
| | **As at September 30, 2019** | **As at March 31, 2019** |
| Capital creditors | 1 | 3 |
| Others | 228 | 229 |
| | **229** | **232** |

Others include advance taxes paid of ₹226 crore and ₹226 crore as at September 30, 2019 and March 31, 2019, respectively, by the seller of TCS e-Serve Limited (merged with the Company) which, on refund by the tax authorities is payable to the seller.

**Other financial liabilities – Current**

| | (₹ crore) | |
|---|---|---|
| | **As at September 30, 2019** | **As at March 31, 2019** |
| Accrued payroll | 1,986 | 2,151 |
| Current maturities of finance lease obligations | - | 6 |
| Unclaimed dividends | 44 | 41 |
| Fair value of foreign exchange derivative liabilities | 179 | 59 |
| Capital creditors | 274 | 257 |
| Liabilities towards customer contracts | 720 | 810 |
| Others | 166 | 27 |
| | **3,369** | **3,351** |

**(h) Financial instruments by category**

The carrying value of financial instruments by categories as at September 30, 2019 is as follows:

(₹ crore)

| | Fair value through profit or 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 | - | - | - | - | 1,951 | 1,951 |
| Bank deposits | - | - | - | - | 10,760 | 10,760 |
| Earmarked balances with banks | - | - | - | - | 176 | 176 |
| Investments (other than in subsidiary) | 1,191 | 27,859 | - | - | 198 | 29,248 |
| Trade receivables | - | - | - | - | 24,510 | 24,510 |
| Unbilled receivables | - | - | - | - | 5,855 | 5,855 |
| Loans receivables | - | - | - | - | 7,432 | 7,432 |
| Other financial assets | - | - | 142 | 196 | 1,831 | 2,169 |
| **Total** | **1,191** | **27,859** | **142** | **196** | **52,713** | **82,101** |
| **Financial liabilities** | | | | | | |
| Trade payables | - | - | - | - | 7,734 | 7,734 |
| Lease liabilities | - | - | - | - | 4,940 | 4,940 |
| Other financial liabilities | - | - | 1 | 178 | 3,419 | 3,598 |
| **Total** | **-** | **-** | **1** | **178** | **16,093** | **16,272** |

The carrying value of financial instruments by categories as at March 31, 2019 is as follows:

(₹ crore)

| | Fair value through profit or 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 | - | - | - | - | 3,327 | 3,327 |
| Bank deposits | - | - | - | - | 5,400 | 5,400 |
| Earmarked balances with banks | - | - | - | - | 173 | 173 |
| Investments (other than in subsidiary) | 3,018 | 24,772 | - | - | 490 | 28,280 |
| Trade receivables | - | - | - | - | 24,124 | 24,124 |
| Unbilled receivables | - | - | - | - | 4,776 | 4,776 |
| Loans receivables | - | - | - | - | 7,020 | 7,020 |
| Other financial assets | - | - | 237 | 347 | 1,594 | 2,178 |
| **Total** | **3,018** | **24,772** | **237** | **347** | **46,904** | **75,278** |
| **Financial liabilities** | | | | | | |
| Trade payables | - | - | - | - | 7,692 | 7,692 |
| Lease liabilities | - | - | - | - | 33 | 33 |
| Other financial liabilities | - | - | - | 59 | 3,524 | 3,583 |
| **Total** | **-** | **-** | **-** | **59** | **11,249** | **11,308** |

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables, loans receivables and trade payables as at September 30, 2019 and March 31, 2019 approximate the fair value. Difference between carrying amounts and fair values of bank deposits, earmarked balances with banks, other financial assets, other financial liabilities and lease liability subsequently measured at amortised cost is not significant in each of the periods presented. Fair value of investments carried at amortised cost is ₹199 crore and ₹491 crore as at September 30, 2019 and March 31, 2019, respectively.

**(i) 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 cost of unquoted investments included in Level 3 of fair value hierarchy approximate their fair value because there is a wide 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):

(₹ crore)

| As at September 30, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Mutual fund units | 1,191 | - | - | 1,191 |
| Equity shares | - | - | - | - |
| Government bonds and securities | 25,160 | | | 25,160 |
| Corporate bonds | 2,699 | - | - | 2,699 |
| Commercial papers | 199 | - | - | 199 |
| Derivative financial assets | - | 338 | - | 338 |
| **Total** | **29,249** | **338** | **-** | **29,587** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 179 | - | 179 |
| **Total** | **-** | **179** | **-** | **179** |

(₹ crore)

| As at March 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Mutual fund units | 2,955 | 63 | - | 3,018 |
| Equity shares | - | - | - | - |
| Government bonds and securities | 23,566 | - | - | 23,566 |
| Certificate of deposits | 491 | - | - | 491 |
| Corporate bonds | 1,206 | - | - | 1,206 |
| Derivative financial assets | - | 584 | - | 584 |
| **Total** | **28,218** | **647** | **-** | **28,865** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 59 | - | 59 |
| **Total** | **-** | **59** | **-** | **59** |

**(j) Derivative financial instruments and hedging activity**

The Company's revenue is denominated in various foreign currencies. 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 and futures contracts in which the counter party is generally a bank.

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

| Foreign currency | As at September 30, 2019 | | | As at March 31, 2019 | | |
|---|---|---|---|---|---|---|
| | No. of contracts | Notional amount of contracts (In millions) | Fair value (₹crore) | No. of contracts | Notional amount of contracts (In millions) | Fair value (₹crore) |
| US Dollar | 43 | 1,170 | 47 | 28 | 1,000 | 128 |
| Great Britain Pound | 68 | 496 | 53 | 24 | 177 | 23 |
| Euro | 39 | 395 | 31 | 33 | 239 | 50 |
| Australian Dollar | 27 | 184 | 9 | 26 | 181 | 22 |
| Canadian Dollar | 17 | 104 | 1 | 21 | 99 | 14 |

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

(₹crore)

| | Six month period ended September 30, 2019 | | Year ended March 31, 2019 | |
|---|---|---|---|---|
| | Intrinsic value | Time value | Intrinsic value | Time value |
| **Balance at the beginning of the period** | 134 | (30) | (2) | (69) |
| (Gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions | (384) | 248 | (488) | 458 |
| Deferred tax on (gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions | 43 | (31) | 94 | (25) |
| Change in the fair value of effective portion of cash flow hedges | 268 | (248) | 641 | (414) |
| Deferred tax on fair value of effective portion of cash flow hedges | (30) | 31 | (111) | 20 |
| **Balance at the end of the period** | **31** | **(30)** | **134** | **(30)** |

The Company has entered into derivative instruments not in hedging relationship by way of foreign exchange forward, currency options and futures contracts. As at September 30, 2019 and March 31, 2019, the notional amount of outstanding contracts aggregated to ₹32,875 crore and ₹34,593 crore, respectively and the respective fair value of these contracts have a net gain of ₹18 crore and ₹288 crore.

Exchange gain of ₹66 crore and exchange loss of ₹836 crore on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in the condensed interim statement of profit and loss for the three month periods ended September 30, 2019 and 2018, respectively.

Exchange gain of ₹418 crore and exchange loss of ₹918 crore on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in the condensed interim statement of profit and loss for the six month periods ended September 30, 2019 and 2018, respectively.

Net foreign exchange gains include gain of ₹40 crore and loss of ₹92 crore transferred from cash flow hedging reserve for three month periods ended on September 30, 2019 and 2018, respectively.

Net foreign exchange gains include gain of ₹136 crore and loss of ₹183 crore transferred from cash flow hedging reserve for six month periods ended on September 30, 2019 and 2018, respectively.

**(k) Equity instruments**

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

| | (₹ crore) | |
|---|---|---|
| | As at September 30, 2019 | As at March 31, 2019 |
| **Authorised** | | |
| 460,05,00,000 equity shares of ₹ 1 each (March 31, 2019: 460,05,00,000 equity shares of ₹ 1 each) | 460 | 460 |
| 105,02,50,000 preference shares of ₹ 1 each (March 31, 2019: 105,02,50,000 preference shares of ₹ 1 each) | 105 | 105 |
| | **565** | **565** |
| **Issued, Subscribed and Fully paid up** | | |
| 375,23,84,706 equity shares of ₹ 1 each (March 31, 2019: 375,23,84,706 equity shares of ₹ 1 each) | 375 | 375 |
| | **375** | **375** |

The Company's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. The Company is not subject to any externally imposed capital requirements.

In the previous year, the Company allotted 191,42,87,591 equity shares as fully paid up bonus shares by capitalisation of profits transferred from retained earnings amounting to ₹86 crore and capital redemption reserve amounting to ₹106 crore.

The Company bought back 7,61,90,476 equity shares for an aggregate amount of ₹16,000 crore being 1.99% of the total paid up equity share capital at ₹2,100 per equity share in the previous year. The equity shares bought back were extinguished on September 26, 2018.

**6) Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Company as a lessee**

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

**Company as a lessor**

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies Ind AS 115 Revenue to allocate the consideration in the contract.

**Transition to Ind AS 116**

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019.

Refer note 2(f) – Significant accounting policies – Leases in the Annual report of the Company for the year ended March 31, 2019, for the policy as per Ind AS 17.

**Company as a lessee**

**Operating leases**

For transition, the Company has elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition by class of asset and leases for which the underlying asset is of low value on a lease-by-lease basis. The Company has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. The Company has used a single discount rate to a portfolio of leases with similar characteristics.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. Accordingly, a right-of-use asset of ₹4,786 crore and a corresponding lease liability of ₹5,179 crore has been recognized. The cumulative effect on transition in retained earnings net off taxes is ₹330 crore (including a deferred tax of ₹147 crore). The principle portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flow from operating activities. The weighted average incremental borrowing rate of 7.80% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

**Finance lease**

The Company has leases that were classified as finance leases applying Ind AS 17. For such leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of Ind AS 116 is the carrying amount of the lease asset and lease liability on the transition date as measured applying Ind AS 17. Accordingly, an amount of ₹25 crore has been reclassified from property, plant and equipment to right-of-use assets. An amount of ₹6 crore has been reclassified from other current financial liabilities to lease liability – current and an amount of ₹33 crore has been reclassified from borrowings – non-current to lease liability – non-current.

**Company as a lessor**

The Company is not required to make any adjustments on transition to Ind AS 116 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with Ind AS 116 from the date of initial application. The Company does not have any significant impact on account of sub-lease on the application of this standard.

The details of the right-of-use asset held by the Company is as follows:

**(₹ crore)**

| | **Additions for the six month period ended September 30, 2019** | **Net carrying amount as at September 30, 2019** |
|---|---|---|
| Leasehold land | 121 | 351 |
| Buildings | 140 | 4,246 |
| Leasehold improvement | - | 22 |
| Vehicles* | - | 2 |
| **Total** | **261** | **4,621** |

***Represents value less than ₹0.50 crore.

Depreciation on right-of-use assets is as follows:

| | (₹ crore) | |
|---|---|---|
| | Three month period ended September 30, 2019 | Six month period ended September 30, 2019 |
| **Depreciation** | | |
| Leasehold land | 1 | 2 |
| Buildings | 196 | 396 |
| Leasehold improvement | 1 | 3 |
| Vehicles* | - | 1 |
| | **198** | **402** |

*Represents value less than ₹0.50 crore.

Interest on lease liabilities is ₹92 crores and ₹192 crores for three and six months period ended September 30, 2019, respectively.

**7) Non-financial assets and non-financial liabilities**

**(a) Property, plant and equipment**

Property, plant and equipment are stated at cost comprising of purchase price and any initial directly attributable cost of bringing the asset to its working condition for its intended use, less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation is provided for property, plant and equipment on a straight line basis so as to expense the cost less residual value over their estimated useful lives based on a technical evaluation. The estimated useful lives and residua l 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 | Useful lives |
|---|---|
| Buildings | 20 years |
| Leasehold improvements | Lease term |
| Plant and equipment | 10 years |
| Computer equipment | 4 years |
| Vehicles | 4 years |
| Office equipment | 5 years |
| Electrical installations | 10 years |
| Furniture and fixtures | 5 years |

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

Property, plant and equipment 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.

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Property, plant and equipment consist of the following:

(₹crore)

| | Freehold land | Buildings | Leasehold improvements | Plant and equipment | Computer equipment | Vehicles | Office equipment | Electrical installations | Furniture and fixtures | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost as at April 1, 2019** | 323 | 7,348 | 1,820 | 539 | 6,273 | 36 | 2,164 | 1,802 | 1,420 | 21,725 |
| Additions | - | 20 | 26 | 35 | 641 | 4 | 58 | 21 | 53 | 858 |
| Transition impact of Ind AS 116 | - | - | (61) | - | - | - | - | - | - | (61) |
| Disposals | - | (6) | (113) | - | (80) | (2) | (52) | (8) | (19) | (280) |
| **Cost as at September 30, 2019** | **323** | **7,362** | **1,672** | **574** | **6,834** | **38** | **2,170** | **1,815** | **1,454** | **22,242** |
| **Accumulated depreciation as at April 1, 2019** | **-** | **(2,150)** | **(1,010)** | **(166)** | **(4,975)** | **(29)** | **(1,740)** | **(1,029)** | **(1,104)** | **(12,203)** |
| Depreciation for the period | - | (187) | (55) | (28) | (356) | (3) | (99) | (69) | (70) | (867) |
| Transition impact of Ind AS 116 | - | - | 36 | - | - | - | - | - | - | 36 |
| Disposals | - | 5 | 37 | - | 80 | 2 | 52 | 8 | 18 | 202 |
| **Accumulated depreciation as at September 30, 2019** | **-** | **(2,332)** | **(992)** | **(194)** | **(5,251)** | **(30)** | **(1,787)** | **(1,090)** | **(1,156)** | **(12,832)** |
| **Net carrying amount as at September 30, 2019** | **323** | **5,030** | **680** | **380** | **1,583** | **8** | **383** | **725** | **298** | **9,410** |

(₹crore)

| | Freehold land | Buildings | Leasehold improvements | Plant and equipment | Computer equipment | Vehicles | Office equipment | Electrical installations | Furniture and fixtures | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost as at April 1, 2018** | 327 | 7,026 | 1,702 | 489 | 5,695 | 32 | 2,038 | 1,711 | 1,308 | 20,328 |
| Additions | (4) | 335 | 212 | 53 | 758 | 6 | 171 | 120 | 139 | 1,790 |
| Disposals | - | (13) | (94) | (3) | (180) | (2) | (45) | (29) | (27) | (393) |
| **Cost as at March 31, 2019** | **323** | **7,348** | **1,820** | **539** | **6,273** | **36** | **2,164** | **1,802** | **1,420** | **21,725** |
| **Accumulated depreciation as at April 1, 2018** | - | (1,792) | (970) | (116) | (4,526) | (26) | (1,572) | (910) | (986) | (10,898) |
| Depreciation for the year | - | (368) | (134) | (52) | (626) | (4) | (213) | (142) | (145) | (1,684) |
| Disposals | - | 10 | 94 | 2 | 177 | 1 | 45 | 23 | 27 | 379 |
| **Accumulated depreciation as at March 31, 2019** | - | **(2,150)** | **(1,010)** | **(166)** | **(4,975)** | **(29)** | **(1,740)** | **(1,029)** | **(1,104)** | **(12,203)** |
| **Net carrying amount as at March 31, 2019** | **323** | **5,198** | **810** | **373** | **1,298** | **7** | **424** | **773** | **316** | **9,522** |

Net book value of leasehold improvements of ₹25 crore as at March 31, 2019 were under finance lease.

**(b) 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 licence period which equates the economic useful life ranging between 2-5 years on a straight line basis over the period of its economic useful life.

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.

Intangible assets consist of the following:

| | (₹ crore) |
|---|---|
| | **Rights under licensing agreement and software licences** |
| **Cost as at April 1, 2019** | **229** |
| Additions | 85 |
| Disposals / Derecognised | - |
| **Cost as at September 30, 2019** | **314** |
| **Accumulated amortisation as at April 1, 2019** | **(90)** |
| Amortisation for the period | (31) |
| Disposals / Derecognised | - |
| **Accumulated amortisation as at September 30, 2019** | **(121)** |
| **Net carrying amount as at September 30, 2019** | **193** |

| | (₹ crore) |
|---|---|
| | **Rights under licensing agreement and software licences** |
| **Cost as at April 1, 2018** | **68** |
| Additions | 161 |
| Disposals / Derecognised | - |
| **Cost as at March 31, 2019** | **229** |
| **Accumulated amortisation as at April 1, 2018** | **(58)** |
| Amortisation for the year | (32) |
| Disposals / Derecognised | - |
| **Accumulated amortisation as at March 31, 2019** | **(90)** |
| **Net carrying amount as at March 31, 2019** | **139** |

**(c) Other assets**

Other assets consist of the following:

**Other assets – Non-current**

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | **(₹ crore)** |
| **Considered good** | | |
| Contract assets | 98 | 100 |
| Prepaid expenses | 506 | 151 |
| Prepaid rent | - | 339 |
| Contract fulfillment costs | 153 | 174 |
| Capital advances | 96 | 272 |
| Advances to related parties | - | 3 |
| Others | 651 | 1 |
| | **1,504** | **1,040** |
| **Advances to related parties, considered good, comprise:** | | |
| Voltas Limited | - | 2 |
| Tata Realty and Infrastructure Ltd* | - | - |
| Concorde Motors (India) Limited | - | 1 |

*Represents value less than ₹0.50 crore.

**Other assets – Current**

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| | | **(₹ crore)** |
| **Considered good** | | |
| Contract assets | 3,478 | 2,723 |
| Prepaid expenses | 508 | 344 |
| Prepaid rent | 16 | 35 |
| Contract fulfillment costs | 456 | 468 |
| Advance to suppliers | 120 | 79 |
| Advance to related parties | 27 | 8 |
| Indirect taxes recoverable | 963 | 962 |
| Other advances | 209 | 123 |
| Others | 68 | 51 |
| **Considered doubtful** | | |
| Advance to suppliers | 3 | 3 |
| Indirect taxes recoverable | 2 | 2 |
| Other advances | 3 | 3 |
| Less: Allowance on doubtful assets | (8) | (8) |
| | **5,845** | **4,793** |
| **Advance to related parties, considered good comprise:** | | |
| TCS e-Serve International Limited | - | 7 |
| The Titan Company Limited | 26 | 1 |
| Tata AIG General Insurance Company Limited | 1 | 1 |

Prepaid rent of ₹366 crore has been reclassified to right-to-use asset pursuant to transition to Ind AS 116.

Non-current - Others includes advance of ₹651 crore towards acquiring right-of-use of leasehold land in the current period.

**(d) Inventories**

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

Inventories consist of the following:

| | | (₹ crore) |
|---|---|---|
| | **As at September 30, 2019** | **As at March 31, 2019** |
| Raw materials, sub-assemblies and components | 7 | 9 |
| Stores and spares | - | 1 |
| | **7** | **10** |

**(e) Other liabilities**

Other liabilities consist of the following:

**Other liabilities – Non-current**

| | | (₹ crore) |
|---|---|---|
| | **As at September 30, 2019** | **As at March 31, 2019** |
| Operating lease liabilities | - | 358 |
| | **-** | **358** |

**Other liabilities – Current**

| | | (₹ crore) |
|---|---|---|
| | **As at September 30, 2019** | **As at March 31, 2019** |
| Advance received from customers | 199 | 269 |
| Indirect taxes payable and other statutory liabilities | 1,666 | 1,556 |
| Operating lease liabilities | 4 | 47 |
| Others | 84 | 70 |
| | **1,953** | **1,942** |

Operating lease liability of ₹395 crore has been reclassified to retained earnings pursuant to transition to Ind AS 116.

**8) Revenue recognition**

The Company earns revenue primarily from providing IT services, consulting and business solutions. The Company offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

- Revenue from time and material and job contracts is recognised on output basis measured by units delivered, efforts expended, number of transactions processed, etc.
- Revenue related to fixed price maintenance and support services contracts where the Company is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.
- In respect of other fixed-price contracts, revenue is recognised using percentage-of-completion method ('POC method') of accounting with contract costs incurred determining the degree of completion of the performance obligation. The contract costs used in computing the revenues include cost of fulfilling warranty obligations.

- Revenue from the sale of distinct internally developed software and manufactured systems and third party software is recognised upfront at the point in time when the system / software is delivered to the customer. In cases where implementation and / or customisation services rendered significantly modifies or customises the software, these services and software are accounted for as a single performance obligation and revenue is recognis ed over time on a POC method.
- Revenue from the sale of distinct third party hardware is recognised at the point in time when control is transferred to the customer.
- The solutions offered by the Company may include supply of third-party equipment or software. In such cases, revenue for supply of such third party products are recorded at gross or net basis depending on whether the Company is acting as the principal or as an agent of the customer. The Company recognises revenue in the gross amount of consideration when it is acting as a principal and at net amount of consideration when it is acting as an agent.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Revenue from subsidiaries is recognised based on transaction price which is at arm's length.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Unearned and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues.

The billing schedules agreed with customers include periodic performance based payments and / or milestone based progress payments. Invoices are payable within contractually agreed credit period.

In accordance with Ind AS 37, the Company recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

The Company disaggregates revenue from contracts with customers by nature of services, industry verticals and geography.

Revenue disaggregation by nature of services is as follows:

**(₹ crore)**

| | **Three month period ended September 30, 2019** | **Three month period ended September 30, 2018** | **Six month period ended September 30, 2019** | **Six month period ended September 30, 2018** |
|---|---|---|---|---|
| Consultancy services | 31,969 | 30,306 | 64,098 | 59,090 |
| Sale of equipment and software licences | 418 | 486 | 946 | 1,070 |
| **Total** | **32,387** | **30,792** | **65,044** | **60,160** |

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Revenue disaggregation by industry vertical is as follows:

(₹ crore)

| Industry vertical | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Banking, Financial Services and Insurance | 12,090 | 11,531 | 23,924 | 22,475 |
| Manufacturing | 2,983 | 2,910 | 5,957 | 5,688 |
| Retail and Consumer Business | 5,621 | 5,657 | 11,279 | 10,994 |
| Communication, Media and Technology | 5,682 | 5,277 | 11,217 | 10,389 |
| Others | 6,011 | 5,417 | 12,667 | 10,614 |
| **Total** | **32,387** | **30,792** | **65,044** | **60,160** |

Revenue disaggregation by geography is as follows:

(₹ crore)

| Geography | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Americas | 18,635 | 17,947 | 36,982 | 35,242 |
| Europe | 8,658 | 7,967 | 17,847 | 15,401 |
| India | 2,166 | 2,014 | 4,386 | 3,972 |
| Others | 2,928 | 2,864 | 5,829 | 5,545 |
| **Total** | **32,387** | **30,792** | **65,044** | **60,160** |

Geographical revenue is allocated based on the location of the customers.

**9) Other Income**

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

Other income consist of the following:

(₹ crore)

| | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Interest income | 802 | 628 | 1,759 | 1,406 |
| Dividend income | 1,375 | 1,001 | 2,119 | 2,347 |
| Net gain on investments carried at fair value through profit or loss | 36 | 142 | 128 | 296 |
| Net gain on disposal of property, plant and equipment | 34 | 5 | 37 | 27 |
| Net foreign exchange gain / (loss) | 373 | (67) | 771 | - |
| Rent income | 1 | 2 | 2 | 4 |
| Other income | 17 | 14 | 28 | 26 |
| | **2,638** | **1,725** | **4,844** | **4,106** |
| **Interest income comprise:** | | | | |
| Interest on bank balances and bank deposits | 148 | 21 | 283 | 60 |
| Interest on financial assets carried at amortised cost | 140 | 140 | 288 | 266 |
| Interest on financial assets carried at fair value through OCI | 513 | 467 | 991 | 942 |
| Other interest (including interest on tax refunds) | 1 | - | 197 | 138 |
| **Dividend income comprise:** | | | | |
| Dividends from subsidiaries | 1,375 | 1,001 | 2,119 | 2,347 |

**10) Employee benefits**

***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. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in 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.

The Company provides benefits such as gratuity, pension and provident fund (Company managed fund) to its employees, which are treated as defined benefit plans.

***Defined contribution plans***

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

The Company provides benefits such as superannuation, provident fund (other than Company managed fund) and foreign defined contribution plans to its employees which are treated as defined contribution plans.

***Short-term employee benefits***

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages etc. and the expected cost of ex-gratia are recognised in the period in which the employee renders the related service. A liability is recognised for the amount expected to be paid when there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***Compensated absences***

Compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as undiscounted liability at the balance sheet date. 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.

Employee benefit expenses consist of the following:

**(₹ crore)**

| | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Salaries, incentives and allowances | 14,817 | 13,487 | 29,151 | 26,393 |
| Contributions to provident and other funds | 992 | 936 | 1,973 | 1,790 |
| Staff welfare expenses | 398 | 389 | 806 | 755 |
| | **16,207** | **14,812** | **31,930** | **28,938** |

Employee benefit obligations consist of the following:

**Employee benefit obligations – Non-current**

**(₹ crore)**

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| Gratuity liability | - | 7 |
| Other employee benefit obligations | 74 | 75 |
| | **74** | **82** |

**Employee benefit obligations – Current**

**(₹ crore)**

| | As at September 30, 2019 | As at March 31, 2019 |
|---|---|---|
| Compensated absences | 2,063 | 1,756 |
| Other employee benefit obligations | 16 | 20 |
| | **2,079** | **1,776** |

### 11) 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, cost of equipment and software licenses, depreciation and amortisation expense and other expenses. Other expenses mainly include fees to external consultants, facility expenses, travel expenses, communication expenses, bad debts and advances written off, allowance for doubtful trade receivable and advances (net) 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.

#### (a) Cost of equipment and software licenses

Cost of equipment and software licenses consist of the following:

(₹ crore)

| | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Raw materials, sub-assemblies and components consumed | 3 | 12 | 11 | 24 |
| Equipment and software licences purchased | 377 | 452 | 844 | 1,005 |
| | **380** | **464** | **855** | **1,029** |
| Finished goods and work-in-progress | | | | |
| Opening stock* | - | - | - | - |
| Less: Closing stock* | - | - | - | - |
| | - | - | - | - |

*Represents value less than ₹0.50 crore.

#### (b) Other expenses

Other expenses consist of the following:

(₹ crore)

| | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Fees to external consultants | 3,515 | 2,981 | 6,920 | 5,794 |
| Facility expenses | 558 | 848 | 1,101 | 1,645 |
| Travel expenses | 628 | 733 | 1,359 | 1,368 |
| Communication expenses | 255 | 227 | 495 | 417 |
| Bad debts and advances written off, allowance for doubtful trade receivables and advances (net) | 37 | 44 | 86 | 80 |
| Other expenses | 1,813 | 1,701 | 3,643 | 3,519 |
| | **6,806** | **6,534** | **13,604** | **12,823** |

Other expenses include ₹906 crore and ₹887 crore for the three month periods ended September 30, 2019 and 2018, respectively, towards sales, marketing and advertisement expenses.

Other expenses include ₹1807 crore and ₹1,948 crore for the six month periods ended September 30, 2019 and 2018, respectively, towards sales, marketing and advertisement expenses.

**12) Finance costs**

Finance costs consist of the following:

(₹ crore)

| | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Interest on lease liabilities | 92 | 2 | 192 | 3 |
| Interest on tax matters | 6 | 128 | 138 | 139 |
| Other interest costs | 1 | - | 2 | - |
| | **99** | **130** | **332** | **142** |

**13) 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 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, to the extent it would be available for set off against future current 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.

***Direct tax contingencies***

The Company has ongoing disputes with income tax authorities relating to tax treatment of certain items. The disputes relate to tax treatment of certain expenses claimed as deductions, computation or eligibility of tax incentives or allowances, and characterisation of fees for services received.

The Company has contingent liability in respect of demands from direct tax authorities in India and other jurisdictions, which are being contested by the Company on appeal amounting ₹842 crore and ₹1,501 crore as at September 30, 2019 and March 31, 2019 respectively. In respect of tax contingencies of ₹318 crore and ₹318 crore as at September 30, 2019 and March 31, 2019, respectively, not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

**14) Earnings per share**

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

| | Three month period ended September 30, 2019 | Three month period ended September 30, 2018 | Six month period ended September 30, 2019 | Six month period ended September 30, 2018 |
|---|---|---|---|---|
| Profit for the period (₹ crore) | 8,636 | 7,620 | 17,351 | 14,756 |
| Weighted average number of equity shares | 375,23,84,706 | 382,52,62,553 | 375,23,84,706 | 382,69,09,816 |
| Basic and diluted earnings per share (₹) | 23.02 | 19.92 | 46.24 | 38.56 |
| Face value per equity share (₹) | 1 | 1 | 1 | 1 |

**15) Segment information**

The Company publishes the condensed unconsolidated interim financial statements of the Company 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.

**16) Commitments and Contingencies**

***Capital commitments***

The Company has contractually committed (net of advances) ₹981 crore and ₹1,258 crore as at September 30, 2019 and March 31, 2019, respectively, for purchase of property, plant and equipment.

***Contingencies***

- **Direct tax matters**

Refer note 13.

- **Indirect tax matters**

The Company has ongoing disputes with tax authorities mainly relating to treatment of characterisation and classification of certain items. The Company has demands amounting to ₹310 crore and ₹325 crore as at September 30, 2019 and March 31, 2019, respectively from various indirect tax authorities which are being contested by the Company based on the management evaluation and on the advice of tax consultants.

- **Other claims**

Claims aggregating ₹3,232 crore and ₹3,138 crore as at September 30, 2019 and March 31, 2019, respectively, 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 unfavourable jury verdict awarding damages totalling ₹6,648 crore (US $940 million) to Epic. In September 2017, the Company received a Court order reducing the damages from ₹6,648 crore (US $940 million) to ₹2,970 crore (US $ 420 million) to Epic. Pursuant to US Court procedures, a Letter of Credit has been made available to Epic for ₹3,112 crore (US $440 million) as financial security in order to stay execution of the judgment pending post-judgment proceedings and appeal. Pursuant to reaffirmation of the Court order in March 2019, the Company has filed a notice of appeal in the superior Court to fully set aside the Order. Epic has also filed a cross appeal challenging the reduction by the trial judge of ₹707 crore (US $100 million) award and ₹1,414 crore (US $200 million) in punitive damages. 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.

- **Bank guarantees and letters of comfort**

The Company have given letter of comfort to banks for credit facilities availed by its subsidiaries. As per the terms of letter of comfort, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiary 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. The Company does not expect any outflow of resources in respect of the above.

The amounts assessed as contingent liability do not include interest that could be claimed by counter parties.

**17)** The Supreme Court of India, through a ruling in February 2019, provided guidelines for interpreting the scope of compensation on which the organisation and its employees are to contribute towards Provident Fund. There is significant uncertainty and ambiguity in interpreting and giving effect to the guidelines of Supreme Court. The Company believes that there will be no significant impact on its contributions to Provident Fund due to the Supreme Court Order. The Company will evaluate its position and act as clarity emerges on impact of the ruling.

**18) Related party transactions**

The Company paid an amount of ₹4,864 crore to Tata Sons Private Limited, the holding company, towards final dividend for the year ended March 31, 2019, as approved by the Shareholders in the Annual General Meeting. Additionally, the Company also paid an amount of ₹ 1,351 crore towards interim dividend as approved by the Board of Directors at its meeting.

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

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

**19) Subsequent event**

The Board of Directors at its meeting held on October 10, 2019 has recommended an interim dividend of ₹5 per equity share and special dividend of ₹40 per equity share.

As per our report of even date attached

For **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration no: 101248W/W-100022

**Yezdi Nagporewalla**
*Partner*
Membership No: 049265

*Mumbai, October 10, 2019*

For and on behalf of the Board

**Rajesh Gopinathan**
*CEO and Managing Director*

**V Ramakrishnan**
*Chief Financial Officer*

**N Ganapathy Subramaniam**
*COO and Executive Director*

**Rajendra Moholkar**
*Company Secretary*