TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Balance Sheet

(₹ crores)

		Note	As at June 30, 2018	As at March 31, 2018
ASSETS				
Non-current assets				
(a)	Property, plant and equipment	3	9,621	9,430
(b)	Capital work-in-progress		937	1,238
(c)	Intangible assets	4	23	10
(d)	Financial assets			
	(i) Investments	5(A)	2,127	2,186
	(ii) Trade receivables		161	94
	(iii) Unbilled receivables (Previous year : Unbilled revenue)		176	179
	(iv) Loans	6(A)	1,503	1,503
	(v) Other financial assets	7(A)	511	504
(e)	Income tax assets (net)		3,191	3,824
(f)	Deferred tax assets (net)		2,596	3,051
(g)	Other assets	8(A)	942	815
Total non-currrent assets			**21,788**	**22,834**
Current assets				
(a)	Inventories		22	25
(b)	Financial assets			
	(i) Investments	5(B)	30,577	35,073
	(ii) Trade receivables		24,254	18,882
	(iii) Unbilled receivables (Previous year : Unbilled revenue)		3,557	5,330
	(iv) Cash and cash equivalents	9	1,007	1,278
	(v) Other balances with banks	10	1,718	2,209
	(vi) Loans	6(B)	6,911	2,793
	(vii) Other financial assets	7(B)	1,099	807
(c)	Other assets	8(B)	4,018	1,825
Total current assets			**73,163**	**68,222**
TOTAL ASSETS			**94,951**	**91,056**
EQUITY AND LIABILITIES				
Equity				
(a)	Share capital	11	383	191
(b)	Other equity		75,764	75,675
	Total equity		**76,147**	**75,866**
Liabilities				
Non-current liabilities				
(a)	Financial liabilities			
	(i) Borrowings		38	39
	(ii) Other financial liabilities	12(A)	239	246
(b)	Employee benefit obligations		64	62
(c)	Provisions		22	26
(d)	Deferred tax liabilities (net)		473	424
(e)	Other liabilities	13(A)	340	335
Total non-current liabilities			**1,176**	**1,132**
Current liabilities				
(a)	Financial liabilities			
	(i) Borrowings		-	181
	(ii) Trade payables		6,511	4,775
	(iii) Other financial liabilities	12(B)	2,676	2,739
(b)	Unearned and deferred revenue		2,062	1,711
(c)	Income tax liabilities (net)		2,616	1,144
(d)	Employee benefit obligations		1,609	1,478
(e)	Provisions		204	171
(f)	Other liabilities	13(B)	1,950	1,859
Total current liabilities			**17,628**	**14,058**
TOTAL EQUITY AND LIABILITIES			**94,951**	**91,056**
NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS		1-25		

As per our report of even date attached

For and on behalf of the Board

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

Rajesh Gopinathan
CEO and Managing Director

N. Ganapathy Subramaniam
COO and Executive Director

Yezdi Nagporewalla
Partner
Membership number: 049265
Mumbai, July 10, 2018

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statements of Profit and Loss

(₹ crores)

		Note	For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
I.	Revenue from operations	14	29,368	23,476
II.	Other income	15	2,381	2,414
III.	**TOTAL INCOME**		**31,749**	**25,890**
IV.	**Expenses**			
	(a) Employee benefit expenses	16	14,126	12,740
	(b) Cost of equipment and software licenses	18	565	550
	(c) Other operating expenses	17	6,289	3,900
	(d) Finance costs		12	21
	(e) Depreciation and amortisation expense		415	396
	TOTAL EXPENSES		**21,407**	**17,607**
V.	**PROFIT BEFORE TAX**		10,342	8,283
VI.	**Tax expense**			
	(a) Current tax	24	2,473	1,705
	(b) Deferred tax		733	(92)
	TOTAL TAX EXPENSE		**3,206**	**1,613**
VII.	**PROFIT FOR THE PERIOD**		**7,136**	**6,670**
VIII.	**OTHER COMPREHENSIVE INCOME / (LOSSES)**			
(A)	**(i) Items that will be reclassified subsequently to profit or loss**			
	(a) Net changes in fair values of investments other than equity shares carried at fair value through OCI		(667)	214
	(b) Net change in intrinsic value of derivatives designated as cash flow hedges		31	(164)
	(c) Net change in time value of derivatives designated as cash flow hedges		13	(28)
	(ii) Income tax on items that will be reclassified subsequently to profit or loss		230	(51)
(B)	**(i) Items that will not be reclassified subsequently to profit or loss**			
	(a) Remeasurement of defined employee benefit plans		(43)	31
	(b) Net changes in fair values of investments in equity shares carried at fair value through OCI		-	-
	(ii) Income tax on items that will not be reclassified subseqently to profit or loss		-	-
	TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)		(436)	2
IX.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**		**6,700**	**6,672**
X.	**Earnings per equity share: - Basic and diluted (₹)**	20	18.64	17.05
	Weighted average number of equity shares		382,85,75,182	391,12,43,390
XI.	**NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**	1-25		

As per our report of even date attached

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

Yezdi Nagporewalla
Partner
Membership number: 049265
Mumbai, July 10, 2018

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N. Ganapathy Subramaniam
COO and Executive Director

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statements of Changes in Equity

For the periods ended June 30, 2017 and 2018

A. EQUITY SHARE CAPITAL

(₹ crores)

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

(₹ crores)

Balance as at April 1, 2018	Changes in equity share capital during the period *	Balance as at June 30, 2018
191	192	383

* Refer note 11

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statements of Changes in Equity

For the periods ended June 30, 2017 and 2018

B. OTHER EQUITY

(₹ crores)

	Reserves and surplus						Items of other comprehensive income			
							Investment revaluation reserve	Cash flow hedging reserve		
	Capital reserve *	Securities premium	Capital redemption reserve	General reserve	Special Economic Zone re-investment reserve	Retained earnings		Intrinsic value	Time value	Total Equity
Balance as at April 1, 2017	**-**	**1,919**	**100**	**9,118**	**97**	**65,965**	**538**	**105**	**(17)**	**77,825**
Profit for the period	-	-	-	-	-	6,670	-	-	-	6,670
Other comprehensive income	-	-	-	-	-	31	140	(144)	(25)	2
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**6,701**	**140**	**(144)**	**(25)**	**6,672**
Dividend (including tax on dividend of ₹ 778 crores)	-	-	-	-	-	(6,042)	-	-	-	(6,042)
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	367	(367)	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	-	(98)	98	-	-	-	-
Buyback of equity shares #	-	(1,919)	6	(9,118)	-	(4,963)	-	-	-	(15,994)
Expenses for buyback of equity shares #	-	-	-	-	-	(46)	-	-	-	(46)
Balance as at June 30, 2017	**-**	**-**	**106**	**-**	**366**	**61,346**	**678**	**(39)**	**(42)**	**62,415**
Balance as at April 1, 2018	**-**	**-**	**106**	**-**	**1,578**	**74,080**	**(18)**	**(2)**	**(69)**	**75,675**
Profit for the period	-	-	-	-	-	7,136	-	-	-	7,136
Other comprehensive income	-	-	-	-	-	(43)	(434)	26	15	(436)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**7,093**	**(434)**	**26**	**15**	**6,700**
Dividend (including tax on dividend of ₹ 868 crores)	-	-	-	-	-	(6,419)	-	-	-	(6,419)
Issue of bonus shares #	-	-	(106)	-	-	(86)	-	-	-	(192)
Balance as at June 30, 2018	**-**	**-**	**-**	**-**	**1,578**	**74,668**	**(452)**	**24**	**(54)**	**75,764**

Refer note 11

* Represents values less than ₹ 0.50 crore.

NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS 1-25

As per our report of even date attached

For and on behalf of the Board

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

Rajesh Gopinathan
CEO and Managing Director

N. Ganapathy Subramaniam
COO and Executive Director

Yezdi Nagporewalla
Partner
Membership number: 049265

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 10, 2018

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statements of Cash Flows

(₹ crores)

		For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
I	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit for the period	7,136	6,670
	Adjustments to reconcile profit and loss to net cash provided by operating activities		
	Depreciation and amortisation expense	415	396
	Bad debts and advances written off , allowance for doubtful trade receivable and advances (net)	36	32
	Tax expense	3,206	1,613
	Finance costs	12	21
	Net gain on disposal of property, plant and equipment	(22)	-
	Exchange difference on translation of foreign currency cash and cash equivalents	(2)	(29)
	Dividend income (including exchange gain)	(1,352)	(1,453)
	Interest income	(778)	(568)
	Net gain on investments	(154)	(260)
	Operating profit before working capital changes	8,497	6,422
	Net change in		
	Inventories	3	(8)
	Trade receivables	(5,473)	(1,347)
	Unbilled receivables (Previous period: Unbilled revenue)	1,776	(570)
	Loans and other financial assets	(203)	(237)
	Other assets	(2,368)	145
	Trade payables	1,736	420
	Unearned and deferred revenue	351	(30)
	Other financial liabilities	(13)	(576)
	Other liabilities and provisions	258	447
	Cash generated from operations	4,564	4,666
	Taxes paid (net of refunds)	(368)	(863)
	Net cash provided by operating activites	**4,196**	**3,803**
II	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Inter-corporate deposits placed	(4,100)	-
	Purchase of investments	(20,761)	(27,920)
	Payments for purchase of property, plant and equipment	(356)	(507)
	Proceeds from bank deposits	500	-
	Proceeds from inter-corporate deposits	-	2,425
	Proceeds from disposal / redemption of investments	24,748	42,417
	Proceeds from disposal of property, plant and equipment	23	1
	Dividend received from subsidiaries (including exchange gain)	1,342	1,448
	Dividend received from other investments	-	5
	Interest received	748	721
	Net cash provided by investing activities	**2,144**	**18,590**

TATA CONSULTANCY SERVICES LIMITED

Condensed Interim Statements of Cash Flows

		(₹ crores)	
		For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
III	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Buy-back of equity shares	-	(16,000)
	Expenses for buy-back of equity shares	-	(42)
	Short-term borrowings (net)	(181)	(200)
	Dividend paid (including tax on dividend)	(6,419)	(6,042)
	Repayment of finance lease obligations	(1)	(2)
	Interest paid	(12)	(21)
	Net cash used in financing activities	**(6,613)**	**(22,307)**
	Net change in cash and cash equivalents	(273)	86
	Cash and cash equivalents at the beginning of the period	1,278	790
	Exchange difference on translation of foreign currency cash and cash equivalents	2	29
	Cash and cash equivalents at the end of the period	**1,007**	**905**
IV	**NOTES FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**	**1-25**	

As per our report of even date attached

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

Yezdi Nagporewalla
Partner
Membership number: 049265
Mumbai, July 10, 2018

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N. Ganapathy Subramaniam
COO and Executive Director

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

1) Corporate information

Tata Consultancy Services Limited (referred to as “TCS Limited” or “the Company”) provides IT services, consulting and business solutions that 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 recognized 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 June 30, 2018, Tata Sons Limited, the holding company owned 71.89% of the Company’s equity share capital.

The condensed interim financial statements for the period ended June 30, 2018 were approved by the Board of Directors and authorised for issue on July 10, 2018.

2) Significant accounting policies

(a) Statement of compliance

The 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.

(b) Basis of preparation

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

(c) Use of estimates and judgements

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

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

Key sources of estimation of uncertainty at the date of the condensed interim financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment of investments, useful lives of property, plant and equipment, valuation of deferred tax assets, provisions and contingent liabilities and fair value measurement of financial instruments and has been discussed below. Key source of estimation of uncertainty in respect of revenue recognition and employee benefits have been discussed in their respective policies.

Impairment of investments

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

Useful lives of property, plant and equipment

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

Valuation of deferred tax assets

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

Provisions and contingent liabilities

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

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. The policy has been further explained under note 2(j).

(d) 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.

Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e .April 1, 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the condensed interim statement of profit and loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. The adoption of the standard did not have any material impact to the financial statements of the Company.

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 cost incurred determining the degree of completion of the performance obligation. The contract cost 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 recognised 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.

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.

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 industry verticals, geography and nature of services.

Use of significant judgements in 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 stand-alone 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.
- Contract fulfilment costs are generally expensed as incurred except for certain software licence costs which meet the criteria for capitalisation. 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.

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

(f) Leases

Finance lease

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

Operating lease

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

(g) Cost recognition

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

The costs of the Company are broadly categorised in employee benefit expenses, cost of equipment and software licenses, depreciation and amortisation expense and other operating expenses. Employee benefit expenses include employee compensation, allowances paid, contribution to various funds and staff welfare expenses. Other operating expenses mainly include fees to external consultants, 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.

(h) Foreign currency

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

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 condensed interim statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

(i) Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred taxes are recognised in condensed interim 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, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

(j) Financial instruments

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

Cash and cash equivalents

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

Financial assets at amortised cost

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

Financial assets at fair value through other comprehensive income

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

The Company has made an irrevocable election to present 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 condensed interim statement of profit and loss.

Financial liabilities

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

Equity instruments

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

Hedge accounting

The Company designates certain foreign exchange forward, 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 condensed interim 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 condensed interim 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 condensed interim statement of profit and loss when the forecasted transaction ultimately affects the profit or loss.

When a forecasted transaction is no longer expected to occur, the cumulative gain or loss accumulated in equity is transferred to the condensed interim statement of profit and loss.

(k) Investment in subsidiaries

Investment in subsidiaries are measured at cost less impairment.

(l) Property, plant and equipment

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

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

The estimated useful lives are as mentioned below:

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

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

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

(m) Intangible assets

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

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

(n) Impairment

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

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance.In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and rates used in the provision matrix. 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.

(ii) Non-financial assets

Tangible and intangible assets

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

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

(o) Employee benefits

(i) Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. 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.

(ii) Defined contribution plans

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

(iii) Compensated absences

Compensated absences which are 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.

(p) Inventories

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

(q) Earnings per share

Basic earnings per share 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 year. The Company did not have any potentially dilutive securities in any of the years presented.

3) Property, plant and equipment

Property, plant and equipment consist of the following:

(₹ crores)

	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	-	161	126	26	144	1	43	54	50	605
Disposals	-	(2)	(62)	-	(23)	-	(9)	(8)	(6)	(110)
Cost as at June 30, 2018	**327**	**7,185**	**1,766**	**515**	**5,816**	**33**	**2,072**	**1,757**	**1,352**	**20,823**
Accumulated depreciation as at April 1, 2018	-	(1,792)	(970)	(116)	(4,526)	(26)	(1,572)	(910)	(986)	(10,898)
Depreciation for the period	-	(91)	(33)	(13)	(154)	(1)	(51)	(35)	(35)	(413)
Disposals	-	2	62	-	23	-	9	7	6	109
Accumulated depreciation as at June 30, 2018	**-**	**(1,881)**	**(941)**	**(129)**	**(4,657)**	**(27)**	**(1,614)**	**(938)**	**(1,015)**	**(11,202)**
Net carrying amount as at June 30, 2018	**327**	**5,304**	**825**	**386**	**1,159**	**6**	**458**	**819**	**337**	**9,621**

(₹ crores)

	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
Cost as at April 1, 2017	327	6,637	1,412	392	5,130	31	1,943	1,601	1,208	18,681
Additions	-	394	311	98	673	2	139	122	120	1,859
Disposals	-	(5)	(21)	(1)	(108)	(1)	(44)	(12)	(20)	(212)
Cost as at March 31, 2018	**327**	**7,026**	**1,702**	**489**	**5,695**	**32**	**2,038**	**1,711**	**1,308**	**20,328**
Accumulated depreciation as at April 1, 2017	-	(1,444)	(862)	(73)	(4,005)	(22)	(1,401)	(778)	(882)	(9,467)
Depreciation for the year	-	(352)	(129)	(44)	(629)	(5)	(215)	(143)	(123)	(1,640)
Disposals	-	4	21	1	108	1	44	11	19	209
Accumulated depreciation as at March 31, 2018	**-**	**(1,792)**	**(970)**	**(116)**	**(4,526)**	**(26)**	**(1,572)**	**(910)**	**(986)**	**(10,898)**
Net carrying amount as at March 31, 2018	**327**	**5,234**	**732**	**373**	**1,169**	**6**	**466**	**801**	**322**	**9,430**

Net book value of leasehold improvements of ₹ 29 crores (March 31, 2018: ₹ 30 crores) is under finance lease.

4) Intangible assets

Intangible assets consist of the following:

	(₹ crores)
	Rights under licensing agreement and software licenses
Cost as at April 1, 2018	68
Additions	15
Disposals / derecognised	-
Cost as at June 30, 2018	**83**
Accumulated amortisation as at April 1, 2018	(58)
Amortisation for the period	(2)
Disposals / derecognised	-
Accumulated amortisation as at June 30, 2018	**(60)**
Net carrying amount as at June 30, 2018	**23**

	(₹ crores)
	Rights under licensing agreement and software licenses
Cost as at April 1, 2017	68
Additions	-
Disposals / derecognised	-
Cost as at March 31, 2018	**68**
Accumulated amortisation as at April 1, 2017	(51)
Amortisation for the year	(7)
Disposals / derecognised	-
Accumulated amortisation as at March 31, 2018	**(58)**
Net carrying amount as at March 31, 2018	**10**

5) Investments

Investments consist of the following:

(A) Investments – Non-current

	As at June 30, 2018	As at March 31, 2018
		(₹ crores)
(a) Investment in subsidiaries		
Fully paid equity shares (unquoted)	2,124	2,124
(b) Investments carried at fair value through profit or loss		
Mutual fund units (unquoted)	-	59
(c) Investments designated at fair value through OCI		
Fully paid equity shares (unquoted)	3	3
	2,127	2,186

(B) Investments – Current

	As at June 30, 2018	As at March 31, 2018
		(₹ crores)
(a) Investments carried at fair value through profit or loss		
Mutual fund units (unquoted)	4,920	9,101
(b) Investments carried at fair value through OCI		
Government bonds and securities (quoted)	24,424	25,217
Corporate bonds (quoted)	740	755
(c) Investment carried at amortised cost		
Certificate of deposits (quoted)	493	-
	30,577	35,073

Aggregate value of quoted and unquoted investments is as follows:

	As at June 30, 2018	As at March 31, 2018
		(₹ crores)
Aggregate value of quoted investments	25,657	25,972
Aggregate value of unquoted investments	7,047	11,287
Aggregate market value of quoted investments	25,657	25,972

	As at June 30, 2018	As at March 31, 2018
	(₹ crores)	
Investment in subsidiaries		
Fully paid equity shares (unquoted)		
TCS Iberoamerica SA	461	461
APTOnline Limited *	-	-
Tata Consultancy Services Belgium	1	1
Tata Consultancy Services Netherlands BV	403	403
Tata Consultancy Services Sverige AB	19	19
Tata Consultancy Services Deutschland GmbH	2	2
Tata America International Corporation	453	453
Tata Consultancy Services Asia Pacific Pte Ltd.	19	19
TCS FNS Pty Limited	212	212
Diligenta Limited	429	429
Tata Consultancy Services Canada Inc. *	-	-
Tata Consultancy Services Canada Inc.	31	31
C-Edge Technologies Limited	5	5
MP Online Limited	1	1
Tata Consultancy Services (Africa) (PTY) Ltd.	66	66
MahaOnline Limited	2	2
Tata Consultancy Services Qatar S.S.C.	2	2
CMC Americas, Inc.	8	8
TCS e-Serve International Limited	10	10
TCS Foundation *	-	-
	2,124	2,124
Investments designated at fair value through OCI		
Fully paid equity shares (unquoted)		
Taj Air Limited	19	19
KOOH Sports Private Limited	3	3
Less : Impairment of investments	(19)	(19)
	3	3

* Represents value less than ₹ 0.50 crore.

6) Loans

Loans (unsecured) consist of the following:

(A) Loans – Non-current

		As at June 30, 2018	As at March 31, 2018
		(₹ crores)	
	Considered good		
(a)	Loans and advances to employees	3	3
(b)	Inter-corporate deposits	1,500	1,500
		1,503	1,503

(B) Loans - Current

		(₹ crores) As at June 30, 2018	As at March 31, 2018
	Considered good		
(a)	Loans and advances to employees	311	293
(b)	Inter-corporate deposits	6,600	2,500
	Considered doubtful		
(a)	Loans and advances to employees	64	61
	Less: Allowance for loans and advances to employees	(64)	(61)
		6,911	2,793

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

7) Other financial assets

Other financial assets consist of the following:

(A) Other financial assets – Non-current

		(₹ crores) As at June 30, 2018	As at March 31, 2018
(a)	Security deposits	511	504
		511	504

(B) Other financial assets - Current

		(₹ crores) As at June 30, 2018	As at March 31, 2018
(a)	Security deposits	150	181
(b)	Fair value of foreign exchange derivative assets	262	89
(c)	Interest receivable	605	520
(d)	Others	82	17
		1,099	807

8) Other assets

Other assets consist of the following:

(A) Other assets – Non-current

(₹ crores)

		As at June 30, 2018	As at March 31, 2018
	Considered good		
(a)	Contract assets	172	-
(b)	Prepaid expenses	190	237
(c)	Prepaid rent	366	373
(d)	Contract fulfillment costs	109	95
(e)	Capital advances	101	105
(f)	Advances to related parties	1	2
(g)	Indirect taxes recoverable	1	-
(h)	Others	2	3
		942	815
	Advances to related parties, considered good, comprise:		
	Voltas Limited	1	2
	Tata Realty and Infrastructure Ltd *	-	-

* Represents value less than ₹ 0.50 crore.

(B) Other assets - Current

(₹ crores)

		As at June 30, 2018	As at March 31, 2018
	Considered good		
(a)	Contract assets	2,552	-
(b)	Prepaid expenses	344	735
(c)	Prepaid rent	39	39
(d)	Contract fulfillment costs	399	427
(e)	Advance to suppliers	107	84
(f)	Advance to related parties	3	4
(g)	Indirect taxes recoverable	529	482
(h)	Other advances	19	20
(i)	Others	26	34
	Considered doubtful		
(a)	Advance to suppliers	3	3
(b)	Indirect taxes recoverable	2	2
(c)	Other advances	3	3
	Less : Allowance for doubtful advances	(8)	(8)
		4,018	1,825
	Advances to related parties, considered good, comprise:		
	TCS e-Serve International Limited	1	-
	The Titan Company Limited	2	2
	Tata Consultancy Services Danmark ApS	-	1
	Tata AIG General Insurance Company Limited	-	1

9) Cash and cash equivalents

Cash and cash equivalents consist of the following:

		As at June 30, 2018	As at March 31, 2018
			(₹ crores)
(a)	Balances with banks		
	In current accounts	680	1,211
	In deposit accounts	320	2
(b)	Cheques on hand	6	3
(c)	Cash on hand *	-	-
(d)	Remittances in transit	1	62
		1,007	1,278

***** Represents value less than ₹ 0.50 crore.

10) Other balances with banks

Other balances with banks consist of the following:

		As at June 30, 2018	As at March 31, 2018
			(₹ crores)
(a)	Earmarked balances with banks	218	209
(b)	Short-term bank deposits	1,500	2,000
		1,718	2,209

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

11) Share capital

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

		(₹ crores)
	As at June 30, 2018	As at March 31, 2018
Authorised		
(a) 460,05,00,000 equity shares of ₹ 1 each (March 31, 2018 : 460,05,00,000 equity shares of ₹ 1 each)	460	460
(b) 105,02,50,000 preference shares of ₹ 1 each (March 31, 2018 : 105,02,50,000 preference shares of ₹ 1 each)	105	105
	565	565
Issued, Subscribed and Fully paid up		
(a) 382,85,75,182 equity shares of ₹ 1 each (March 31, 2018 : 191,42,87,591 equity shares of ₹ 1 each)	383	191
	383	191

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 crores and capital redemption reserve amounting to ₹ 106 crores, pursuant to an ordinary resolution passed after taking the consent of shareholders through postal ballot.

The Board of Directors, at its meeting held on June 15, 2018 have approved a proposal to buy-back upto 7,61,90,476 equity shares of the Company for an aggregate amount not exceeding ₹ 16,000 crores being 1.99% of the total paid up equity share capital at ₹ 2,100 per equity share subject to approval from shareholders.

In the previous year, the Company bought back 5,61,40,350 equity shares for an aggregate amount of ₹ 16,000 crores being 2.85% of the total paid up equity share capital at ₹ 2,850 per equity share. The equity shares bought back were extinguished on June 7, 2017.

12) Other financial liabilities

Other financial liabilities consist of the following:

(A) Other financial liabilities – Non-current

		(₹ crores)	
		As at June 30, 2018	As at March 31, 2018
(a)	Capital creditors	11	18
(b)	Others	228	228
		239	246

Others include advance taxes paid of ₹ 227 crores (March 31, 2018: ₹ 227 crores) by the seller of TCS e-Serve Limited (merged with the Company) which on refund by the tax authorities is payable to the seller.

(B) Other financial liabilities - Current

		(₹ crores)	
		As at June 30, 2018	As at March 31, 2018
(a)	Accrued payroll	1,570	1,667
(b)	Current maturities of finance lease obligations	5	5
(c)	Unclaimed dividends	37	28
(d)	Fair value of foreign exchange derivative liabilities	133	91
(e)	Capital creditors	210	245
(f)	Liability towards customer contracts	672	669
(g)	Others	49	34
		2,676	2,739

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

13) Other liabilities

Other liabilities consist of the following:

(A) Other liabilities – Non-current

	(₹ crores)	
	As at June 30, 2018	As at March 31, 2018
(a) Operating lease liabilities	340	335
	340	335

(B) Other liabilities - Current

		As at June 30, 2018	As at March 31, 2018
		(₹ crores)	
(a)	Advance received from customers	247	556
(b)	Indirect tax payable and other statutory liabilities	1,572	1,111
(c)	Operating lease liabilities	81	84
(d)	Others	50	108
		1,950	1,859

14) Revenue from operations

Revenue from operations includes ₹ 584 crores for the quarter ended June 30, 2018 (June 30, 2017: ₹ 601 crores) towards sale of equipment and software licenses.

Revenue disaggregation by industry vertical is as follows:

(₹ crores)

Industry vertical	For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
Banking, Financial Services and Insurance	10,944	8,931
Manufacturing	2,778	2,210
Retail and Consumer Business	5,337	4,137
Communication, Media and Technology	5,112	4,241
Others	5,197	3,957
	29,368	23,476

Revenue disaggregation by geography is as follows:

(₹ crores)

Geography	For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
Americas	17,295	13,323
Europe	7,434	5,859
India	1,958	1,975
Others	2,681	2,319
	29,368	23,476

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

15) Other income

Other income consist of the following:

		(₹ crores) For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
(a)	Interest income	778	568
(b)	Dividend income	1,346	1,451
(c)	Net gain on investments carried at fair value through profit or loss	154	260
(d)	Net gain on disposal of property, plant and equipment	22	-
(e)	Net foreign exchange gains	67	118
(f)	Rent income	2	1
(g)	Other income	12	16
		2,381	2,414
Interest income comprises:			
	Interest on bank balances and deposits	39	15
	Interest income on financial assets carried at amortised cost	126	37
	Interest income on financial assets carried at fair value through OCI	475	443
	Other interest (including interest on income tax refunds)	138	73
Dividend income comprises:			
	Dividends from subsidiaries	1,346	1,446
	Dividend from mutual fund units	-	5

16) Employee benefits

Employee benefit expenses consist of the following:

		(₹ crores) For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
(a)	Salaries, incentives and allowances	12,906	11,660
(b)	Contributions to provident and other funds	854	769
(c)	Staff welfare expenses	366	311
		14,126	12,740

17) Other operating expenses

Other operating expenses consist of the following:

		(₹ crores)	
		For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
(a)	Fees to external consultants	2,813	1,540
(b)	Facility expenses	797	748
(c)	Travel expenses	635	591
(d)	Communication expenses	190	189
(e)	Bad debts and advances written off, allowance for doubtful trade receivable and advances (net)	36	32
(f)	Other expenses	1,818	800
		6,289	3,900

Other expenses include ₹ 1,061 crores for the quarter ended June 30, 2018 (June 30, 2017: ₹ 64 crores) towards sales, marketing and advertisement expenses.

18) Cost of equipment and software licenses

Cost of equipment and software licenses consist of the following:

		(₹ crores)	
		For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
(a)	Raw materials, sub-assemblies and components consumed	12	26
(b)	Equipment and software licenses purchased	553	523
		565	549
	Finished goods and work-in-progress		
	Opening stock *	-	1
	Less: Closing stock *	-	-
		-	1
		565	550

* Represents value less than ₹ 0.50 crore.

19) Financial instruments

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

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as of June 30, 2018 is as follows:

(₹ crores)

	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	-	-	-	-	1,007	1,007
Bank deposits	-	-	-	-	1,500	1,500
Earmarked balances with banks	-	-	-	-	218	218
Investments (Other than in subsidiary)	4,920	25,167	-	-	493	30,580
Trade receivables	-	-	-	-	24,415	24,415
Unbilled receivables	-	-	-	-	3,733	3,733
Loans	-	-	-	-	8,414	8,414
Other financial assets	-	-	103	159	1,348	1,610
Total	**4,920**	**25,167**	**103**	**159**	**41,128**	**71,477**
Financial liabilities						
Trade payables	-	-	-	-	6,511	6,511
Borrowings	-	-	-	-	38	38
Other financial liabilities	-	-	-	133	2,782	2,915
Total	**-**	**-**	**-**	**133**	**9,331**	**9,464**

The carrying value of financial instruments by categories as of March 31, 2018 is as follows:

(₹ crores)

	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	-	-	-	-	1,278	1,278
Bank deposits	-	-	-	-	2,000	2,000
Earmarked balances with banks	-	-	-	-	209	209
Investments (Other than in subsidiary)	9,160	25,975	-	-	-	35,135
Trade receivables	-	-	-	-	18,976	18,976
Unbilled revenues	-	-	-	-	5,509	5,509
Loans	-	-	-	-	4,296	4,296
Other financial assets	-	-	34	55	1,222	1,311
Total	**9,160**	**25,975**	**34**	**55**	**33,490**	**68,714**
Financial liabilities						
Trade payables	-	-	-	-	4,775	4,775
Borrowings	-	-	-	-	220	220
Other financial liabilities	-	-	25	66	2,894	2,985
Total	**-**	**-**	**25**	**66**	**7,889**	**7,980**

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables (previous year: unbilled revenue), loans and trade payables as at June 30, 2018 and March 31, 2018 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 borrowings subsequently measured at amortised cost is not significant in each of the periods presented. Fair value of investments carried at amortised cost is ₹ 493 crores as at June 30, 2018 (March 31, 2018: Nil).

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

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

(₹ crores)

As at June 30, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	4,920	-	-	4,920
Equity shares	-	-	3	3
Government bonds and securities	24,424	-	-	24,424
Certificate of deposit	493	-	-	493
Corporate bonds	740	-	-	740
Derivative financial assets	-	262	-	262
Total	**30,577**	**262**	**3**	**30,842**
Financial liabilities				
Derivative financial liabilities	-	133	-	133
Total	**-**	**133**	**-**	**133**

(₹ crores)

As at March 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	9,101	59	-	9,160
Equity shares	-	-	3	3
Government bonds and securities	25,217	-	-	25,217
Corporate bonds	755	-	-	755
Derivative financial assets	-	89	-	89
Total	**35,073**	**148**	**3**	**35,224**
Financial liabilities				
Derivative financial liabilities	-	91	-	91
Total	**-**	**91**	**-**	**91**

(b) Derivative financial instruments and hedging activity

The Company's revenue is denominated in foreign currency predominantly US Dollar, Great Britain Pound and Euro. In addition to these currencies, the Company also does business in Australian Dollar, Canadian Dollar, Swiss Franc, Japanese Yen, Norwegian Krone, Swedish Krona, South African Rand, Singapore Dollar, Saudi Arabian Riyal, Danish Krone and Brazilian Real. Given the nature of the business, a large portion of the costs are denominated in Indian Rupee. This exposes the Company to currency fluctuations.

The Board of Directors have constituted a Risk Management Committee (RMC) to frame, implement and monitor the risk management plan of the Company which inter-alia covers risks arising out of exposure to foreign currency fluctuations. Under the guidance and framework provided by the RMC, the Company uses various derivative instruments such as foreign exchange forward, currency options contracts 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:

	As at June 30, 2018			As at March 31, 2018		
Foreign Currency	**No. of contracts**	**Notional amount of contracts (in million)**	**Fair value (₹ crores)**	**No. of contracts**	**Notional amount of contracts (in million)**	**Fair value (₹ crores)**
US Dollar	28	1,630	21	24	1,466	20
Great Britain Pound	37	370	50	34	263	(23)
Euro	34	315	18	26	216	1
Australian Dollar	17	215	10	21	150	12
Canadian Dollar	16	130	4	-	-	-

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

	As at June 30, 2018			As at March 31, 2018		
Foreign Currency	**No. of contracts**	**Notional amount of contracts (in million)**	**Fair value (₹ crores)**	**No. of contracts**	**Notional amount of contracts (in million)**	**Fair value (₹ crores)**
Euro	1	5	-	-	-	-

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

(₹ crores)

	Period ended June 30, 2018		Year ended March 31, 2018	
	Intrinsic Value	**Time Value**	**Intrinsic Value**	**Time Value**
Balance at the beginning of the period	(2)	(69)	105	(17)
Gain / (loss) transferred to the profit and loss on occurrence of forecasted hedge transactions	2	89	(127)	340
Deferred tax on (gain) / loss transferred to the profit and loss on occurrence of forecasted hedge transactions	-	15	15	(40)
Changes in the fair value of effective portion of cash flow hedges	29	(76)	5	(399)
Deferred tax on fair value of effective portion of cash flow hedges	(5)	(13)	-	47
Balance at the end of the period	**24**	**(54)**	**(2)**	**(69)**

In addition to the above cash flow hedges, the Company has outstanding foreign exchange forward, currency options and futures contracts with notional amount aggregating ₹ 25,045 crores (March 31, 2018 : ₹ 22,404 crores) whose fair value showed a net gain of ₹ 26 crores as at June 30, 2018 (March 31, 2018 : net loss ₹ 12 crores) respectively. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting.

Exchange loss of ₹ 82 crores for the period ended June 30, 2018 (June 30, 2017: Exchange loss of ₹ 68 crores) on foreign exchange forward, currency options and futures contracts has been recognised in the condensed interim statement of profit and loss.

Net foreign exchange gains include loss of ₹ 91 crores for the period ended June 30, 2018 (June 30, 2017: Net gain of ₹ 24 crores) transferred from cash flow hedging reserve.

20) Earnings Per Share (EPS)

	For the quarter ended June 30, 2018	For the quarter ended June 30, 2017
Profit for the period (₹ crores)	7,136	6,670
Weighted average number of equity shares	382,85,75,182	391,12,43,390
Earning per share basic and diluted (₹)	18.64	17.05
Face value per equity share (₹)	1	1

Pursuant to issue of bonus shares, the earnings per share of the previous year has been accordingly re-stated.

21) Segment information

The Company publishes the condensed 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.

22) Commitments and Contingencies

Capital commitments

The Company has contractually committed (net of advances) ₹ 651 crores as at June 30, 2018 (March 31, 2018: ₹ 760 crores) for purchase of property, plant and equipment.

Contingencies

Direct tax matters

The Company has ongoing disputes with Income Tax authorities in India and in some of the jurisdictions where it operates. The disputes relate to tax treatment of certain expenses claimed as deductions, computation or eligibility of tax incentives or allowances, and characterisation of fees for services received. As at June 30, 2018, the Company has contingent liability of ₹ 1,459 crores (March 31, 2018: ₹ 5,616 crores) in respect of tax demands which are being contested by the Company based on the management evaluation and on the advice of tax consultants. In respect of tax contingencies of ₹ 318 crores (March 31, 2018: ₹ 318 crores), not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

Indirect tax matters

The Company has ongoing disputes with tax authorities mainly relating to treatment of characterisation and classification of certain items. As at June 30, 2018, the Company has demands amounting to ₹ 312 crores (March 31, 2018: ₹ 275 crores) 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

As at June 30, 2018, claims aggregating ₹ 3,126 crores (March 31, 2018: ₹ 2,977 crores) against the Company have not been acknowledged as debts.

In October 2014, Epic Systems Corporation (referred to as Epic) filed a legal claim against the Company in the Court of Western District Madison, Wisconsin for alleged infringement of Epic's proprietary information. In April 2016, the Company received an unfavorable jury verdict awarding damages totaling ₹ 6,439 crores (US $ 940 million) to Epic. In September 2017, the Company received a Court order reducing the damages from ₹ 6,439 crores (US $ 940 million) to ₹ 2,877 crores (US $ 420 million) to Epic. The Company has received legal advice to the effect that the order and the reduced damages awarded are not supported by evidence presented during the trial and a strong appeal can be made to superior Court to fully set aside the Order. Pursuant to US Court procedures, a Letter of Credit has been made available to Epic for ₹ 3,014 crores (US $ 440 million) as financial security in order to stay execution of the judgment pending post-judgment proceedings and appeal. Accordingly, an amount of ₹ 3,014 crores (US $ 440 million) is disclosed as Contingent Liability which is included in the claims not acknowledged as debts.

Bank guarantees and letters of comfort

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

The Company has provided guarantees to third parties on behalf of its subsidiaries aggregating ₹ 4,254 crores (March 31, 2018: ₹ 4,343 crores). 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.

23) Related party transactions

The Company paid an amount of ₹ 3,991 crores to Tata Sons Limited, the holding company towards final dividend as approved by the shareholders in the Annual General 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.

24) On conclusion of tax proceedings for prior years of the company and an overseas subsidiary, taxable income attributable to the company increased with a corresponding reduction in the income attributable to the overseas subsidiary. Accordingly, tax expense of the Company includes an additional charge of an amount of ₹ 882 crores with a corresponding relief in the tax expense of the overseas subsidiary.

25) Subsequent events

The Board of Directors at its meeting held on July 10, 2018 has recommended an interim dividend of ₹ 4 per equity share.

As per our report of even date attached

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

Yezdi Nagporewalla
Partner
Membership number: 049265
Mumbai, July 10, 2018

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N. Ganapathy Subramaniam
COO and Executive Director

V. Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary