

**TATA CONSULTANCY SERVICES LIMITED**  
Condensed Standalone Interim Balance Sheet

		(₹ crore)	
	Note	As at December 31, 2022	As at March 31, 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8(a)	9,047	9,669
Capital work-in-progress	8(a)	1,448	1,146
Right-of-use assets	7	5,615	5,837
Intangible assets	8(b)	873	1,018
Financial assets			
Investments	6(a)	2,405	2,405
Trade receivables			
Billed	6(b)	68	90
Unbilled		27	53
Loans	6(e)	3	8
Other financial assets	6(f)	597	626
Income tax assets (net)		1,715	1,643
Deferred tax assets (net)		2,371	2,779
Other assets	8(c)	2,312	1,797
<b>Total non-current assets</b>		<b>26,481</b>	<b>27,071</b>
<b>Current assets</b>			
Inventories	8(d)	29	19
Financial assets			
Investments	6(a)	45,506	29,262
Trade receivables			
Billed	6(b)	36,295	29,852
Unbilled		7,117	6,250
Cash and cash equivalents	6(c)	2,674	8,197
Other balances with banks	6(d)	799	5,495
Loans	6(e)	7,920	5,653
Other financial assets	6(f)	1,199	1,432
Other assets	8(c)	7,288	8,032
<b>Total current assets</b>		<b>1,08,827</b>	<b>94,192</b>
<b>TOTAL ASSETS</b>		<b>1,35,308</b>	<b>1,21,263</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6(k)	366	366
Other equity		91,645	76,807
<b>Total equity</b>		<b>92,011</b>	<b>77,173</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Lease liabilities		4,778	4,879
Other financial liabilities	6(g)	352	518
Employee benefit obligations	11	110	103
Deferred tax liabilities (net)		251	129
Unearned and deferred revenue		670	560
<b>Total non-current liabilities</b>		<b>6,161</b>	<b>6,189</b>
<b>Current liabilities</b>			
Financial liabilities			
Lease liabilities		943	976
Trade payables			
Dues of small enterprises and micro enterprises		-	-
Dues of creditors other than small enterprises and micro enterprises		12,648	10,082
Other financial liabilities	6(g)	6,884	5,826
Unearned and deferred revenue		3,109	3,013
Other liabilities	8(e)	2,961	7,033
Provisions	8(f)	287	1,377
Employee benefit obligations	11	3,072	2,844
Income tax liabilities (net)		7,232	6,750
<b>Total current liabilities</b>		<b>37,136</b>	<b>37,901</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,35,308</b>	<b>1,21,263</b>

NOTES FORMING PART OF CONDENSED STANDALONE INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

For and on behalf of the Board

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

**Rajesh Gopinathan**  
CEO and Managing Director

**N Ganapathy Subramaniam**  
COO and Executive Director

**Amit Somani**  
Partner  
Membership No: 060154  
Mumbai, January 9, 2023

**Samir Seksaria**  
CFO

**Pradeep Manohar Gaitonde**  
Company Secretary

Mumbai, January 9, 2023

**TATA CONSULTANCY SERVICES LIMITED**  
**Condensed Standalone Interim Statement of Profit and Loss**

		(₹ crore)			
	Note	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Revenue from operations	9	49,275	40,845	1,40,574	1,17,882
Other income	10	1,558	2,225	3,895	5,505
<b>TOTAL INCOME</b>		<b>50,833</b>	<b>43,070</b>	<b>1,44,469</b>	<b>1,23,387</b>
<b>Expenses</b>					
Employee benefit expenses	11	24,478	20,535	70,960	59,754
Cost of equipment and software licences	12(a)	520	401	953	806
Finance costs	13	136	126	445	363
Depreciation and amortisation expense		996	925	2,932	2,578
Other expenses	12(b)	10,761	8,204	30,534	22,789
<b>TOTAL EXPENSES</b>		<b>36,891</b>	<b>30,191</b>	<b>1,05,824</b>	<b>86,290</b>
<b>PROFIT BEFORE TAX</b>		<b>13,942</b>	<b>12,879</b>	<b>38,645</b>	<b>37,097</b>
<b>Tax expense</b>					
Current tax		3,438	3,039	9,487	8,898
Deferred tax		(155)	(119)	(148)	(193)
<b>TOTAL TAX EXPENSE</b>		<b>3,283</b>	<b>2,920</b>	<b>9,339</b>	<b>8,705</b>
<b>PROFIT FOR THE PERIOD</b>		<b>10,659</b>	<b>9,959</b>	<b>29,306</b>	<b>28,392</b>
<b>OTHER COMPREHENSIVE INCOME (OCI)</b>					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined employee benefit plans		68	42	69	(1)
Income tax on items that will not be reclassified subsequently to profit or loss		(15)	(10)	(15)	-
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		56	(248)	(720)	(248)
Net change in intrinsic value of derivatives designated as cash flow hedges		(247)	86	(127)	172
Net change in time value of derivatives designated as cash flow hedges		(115)	(15)	(67)	(47)
Income tax on items that will be reclassified subsequently to profit or loss		64	71	296	58
<b>TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)</b>		<b>(189)</b>	<b>(74)</b>	<b>(564)</b>	<b>(66)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>10,470</b>	<b>9,885</b>	<b>28,742</b>	<b>28,326</b>
<b>Earnings per equity share:- Basic and diluted (₹)</b>	15	29.13	26.93	80.09	76.76
Weighted average number of equity shares		365,90,51,373	369,90,51,373	365,90,51,373	369,90,51,373

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

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Membership No: 060154  
Mumbai, January 9, 2023

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Company Secretary

Mumbai, January 9, 2023

**TATA CONSULTANCY SERVICES LIMITED**  
**Condensed Standalone Interim Statement of Changes in Equity**

**A. EQUITY SHARE CAPITAL**

(₹ crore)

Balance as at April 1, 2022	Changes in equity share capital due to prior period errors	Restated balance as at April 1, 2022	Changes in equity share capital during the period	Balance as at December 31, 2022
366	-	366	-	366

(₹ crore)

Balance as at April 1, 2021	Changes in equity share capital due to prior period errors	Restated balance as at April 1, 2021	Changes in equity share capital during the period	Balance as at December 31, 2021
370	-	370	-	370

**TATA CONSULTANCY SERVICES LIMITED**  
**Condensed Standalone Interim Statement of Changes in Equity**

**B. OTHER EQUITY**

	(₹ crore)						
	Reserves and surplus				Items of other comprehensive income		Total Equity
	Capital reserve*	Capital redemption reserve	Special Economic Zone re-investment reserve	Retained earnings	Investment revaluation reserve	Cash flow hedging reserve	
						Intrinsic value      Time value	
<b>Balance as at April 1, 2022</b>	-	17	7,287	68,949	580	27 (53)	76,807
Profit for the period	-	-	-	29,306	-	- -	29,306
Other comprehensive income / (losses)	-	-	-	54	(469)	(98) (51)	(564)
<b>Total comprehensive income</b>	-	-	-	29,360	(469)	(98) (51)	28,742
Dividend	-	-	-	(13,904)	-	- -	(13,904)
Transfer to Special Economic Zone re-investment reserve	-	-	6,216	(6,216)	-	- -	-
Transfer from Special Economic Zone re-investment reserve	-	-	(3,787)	3,787	-	- -	-
<b>Balance as at December 31, 2022</b>	-	17	9,716	81,976	111	(71) (104)	91,645
<b>Balance as at April 1, 2021</b>	-	13	2,538	70,928	916	56 (27)	74,424
Profit for the period	-	-	-	28,392	-	- -	28,392
Other comprehensive income / (losses)	-	-	-	(1)	(162)	133 (36)	(66)
<b>Total comprehensive income</b>	-	-	-	28,391	(162)	133 (36)	28,326
Dividend	-	-	-	(10,727)	-	- -	(10,727)
Transfer to Special Economic Zone re-investment reserve	-	-	7,086	(7,086)	-	- -	-
Transfer from Special Economic Zone re-investment reserve	-	-	(3,723)	3,723	-	- -	-
<b>Balance as at December 31, 2021</b>	-	13	5,901	85,229	754	189 (63)	92,023

\*Represents values less than ₹0.50 crore.

Gain of ₹54 crore and loss of ₹1 crore on remeasurement of defined employee benefit plans (net of tax) is recognised as a part of retained earnings for nine month periods ended December 31, 2022 and 2021, respectively.

**TATA CONSULTANCY SERVICES LIMITED**  
**Condensed Standalone 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) Retained earnings**

This reserve represents undistributed accumulated earnings of the Company as on the balance sheet date.

**(e) 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.

**(f) 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 CONDENSED STANDALONE INTERIM FINANCIAL STATEMENTS**

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 no: 101248W/W-100022

**Rajesh Gopinathan**  
CEO and Managing Director

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**Amit Somani**  
Partner  
Membership No: 060154  
Mumbai, January 9, 2023

**Samir Seksaria**  
CFO

**Pradeep Manohar Gaitonde**  
Company Secretary

Mumbai, January 9, 2023

**TATA CONSULTANCY SERVICES LIMITED**  
**Condensed Standalone Interim Statement of Cash Flows**

	(₹ crore)	
	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	29,306	28,392
Adjustments for:		
Depreciation and amortisation expense	2,932	2,578
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	74	89
Tax expense	9,339	8,705
Net gain on lease modification	-	(2)
Net gain on sub-lease	(7)	-
Unrealised foreign exchange (gain) / loss	(150)	34
Net gain on disposal of property, plant and equipment	(21)	(12)
Net gain on disposal / fair valuation of investments	(141)	(146)
Interest income	(2,170)	(1,840)
Dividend income (including exchange impact)	(1,866)	(2,528)
Finance costs	445	363
<b>Operating profit before working capital changes</b>	<b>37,741</b>	<b>35,633</b>
Net change in		
Inventories	(10)	(11)
Trade receivables		
Billed	(6,483)	(4,415)
Unbilled	(841)	103
Loans and other financial assets	274	(300)
Other assets	334	973
Trade payables	2,566	825
Unearned and deferred revenue	206	487
Other financial liabilities	1,072	643
Other liabilities and provisions	(734)	132
<b>Cash generated from operations</b>	<b>34,125</b>	<b>34,070</b>
Taxes paid (net of refunds)	(8,118)	(7,188)
<b>Net cash generated from operating activities</b>	<b>26,007</b>	<b>26,882</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Bank deposits placed	(700)	(10,273)
Inter-corporate deposits placed	(7,580)	(10,155)
Purchase of investments	(83,916)	(44,855)
Payment for purchase of property, plant and equipment	(1,683)	(1,497)
Payment including advances for acquiring right-of-use assets	(5)	(12)
Payment for purchase of intangible assets	(282)	(413)
Proceeds from bank deposits	5,380	5,589
Proceeds from inter-corporate deposits	5,386	13,691
Proceeds from disposal / redemption of investments	67,125	28,920
Proceeds from sub-lease receivable	3	3
Proceeds from disposal of property, plant and equipment	22	13
Interest received	1,980	1,901
Dividend received from subsidiaries	1,866	2,528
<b>Net cash used in investing activities</b>	<b>(12,404)</b>	<b>(14,560)</b>

**TATA CONSULTANCY SERVICES LIMITED**  
**Condensed Standalone Interim Statement of Cash Flows**

	(₹ crore)	
	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(771)	(698)
Interest paid	(446)	(363)
Dividend paid	(13,904)	(10,727)
Transfer of funds from buy-back escrow account	18	-
Tax on buy-back of equity shares	(4192)	-
<b>Net cash used in financing activities</b>	<b>(19,295)</b>	<b>(11,788)</b>
<b>Net change in cash and cash equivalents</b>	<b>(5,692)</b>	<b>534</b>
Cash and cash equivalents at the beginning of the period	8,197	1,112
Exchange difference on translation of foreign currency cash and cash equivalents	169	(43)
<b>Cash and cash equivalents at the end of the period</b>	<b>2,674</b>	<b>1,603</b>
<b><u>Components of cash and cash equivalents</u></b>		
<b>Balances with banks</b>		
In current accounts	1,025	879
In deposit accounts	1,649	724
Cheques on hand	_*	_*
Cash on hand	_*	_*
Remittances in transit	_*	_*
	<b>2,674</b>	<b>1,603</b>

\*Represents values less than ₹0.50 crore.

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

As per our report of even date attached

For and on behalf of the Board

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 Membership No: 060154  
*Mumbai, January 9, 2023*

**Samir Seksaria**  
*CFO*

**Pradeep Manohar Gaitonde**  
*Company Secretary*

*Mumbai, January 9, 2023*

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

**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. 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 December 31, 2022, Tata Sons Private Limited, the holding company owned 72.27% of the Company’s equity share capital.

The Board of Directors approved the condensed standalone interim financial statements for the period ended December 31, 2022 and authorised for issue on January 9, 2023.

**2) Statement of compliance**

These condensed standalone interim financial statements have been prepared in accordance with the Indian Accounting Standard (referred to as “Ind AS”) 34 Interim Financial Reporting prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended from time to time. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements, wherever applicable.

**3) Basis of preparation**

These condensed standalone interim financial statements have been prepared on historical cost basis except for certain financial instruments and defined benefit plans 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 has been prepared under indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated. The Company considers all highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value to be cash equivalents.

These condensed standalone 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 dates 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 condensed standalone interim financial statements have been discussed in the respective notes.

**4) Use of estimates and judgements**

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



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

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

**(a) Revenue recognition**

Revenue for fixed-price contracts 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 degree of completion of the performance obligation.

**(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 in the statement of profit and loss.

**(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) Provision for income tax and deferred tax assets**

The Company uses estimates and judgements based on the relevant rulings in the areas of allocation of revenue, costs, allowances and disallowances which is exercised while determining the provision for income tax. 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 assess contingent liabilities. Contingent liabilities are recognised 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 condensed standalone interim 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 judgement. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

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

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) Recent pronouncements**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. During nine month period ended December 31, 2022, MCA has not notified any new standards or amendments to the existing standards applicable to the Company.

**6) 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 investments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value, 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 in order 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 statement of profit and loss.

**Investment in subsidiaries**

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

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

**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 intrinsic value and time value of an option is recognised in the 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 and 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 the statement of profit and loss when the forecasted transaction ultimately affects profit and loss. Any gain or loss is recognised immediately in the statement of profit and loss when the hedge becomes ineffective.

• **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 the 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.

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

**(a) Investments**

Investments consist of the following:

**Investments – Non-current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Investment in subsidiaries</b>		
Fully paid equity shares (unquoted)	2,405	2,405
<b>Investments designated at fair value through OCI</b>		
Fully paid equity shares (unquoted)		
Taj Air Limited	19	19
Less: Impairment in value of investments	(19)	(19)
	<b>2,405</b>	<b>2,405</b>

**Investments – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Investments carried at fair value through profit or loss</b>		
Mutual fund units (quoted)	8,048	884
<b>Investments carried at fair value through OCI</b>		
Government bonds and securities (quoted)	28,653	25,667
Corporate bonds (quoted)	2,937	1,242
<b>Investments carried at amortised cost</b>		
Certificate of deposits (quoted)	3,783	99
Commercial papers (quoted)	1,096	381
Treasury bills (quoted)	989	989
	<b>45,506</b>	<b>29,262</b>

Government bonds and securities includes bonds pledged with bank for credit facility and with manager to the buy-back amounting to ₹1,650 crore and ₹3,560 crore as at December 31, 2022 and March 31, 2022, respectively.

Aggregate value of quoted and unquoted investments is as follows:

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Aggregate value of quoted investments	45,506	29,262
Aggregate value of unquoted investments (net of impairment)	2,405	2,405
Aggregate market value of quoted investments	45,499	29,263
Aggregate value of impairment of investments	19	19

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

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Certificate of deposits	3,776	99
Commercial papers	1,096	381
Treasury bills	989	990

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

Carrying value of investment in equity instruments is as follows:

						(₹ crore)	
In Numbers	Currency	Face value per share	Investment in subsidiaries	As at December 31, 2022	As at March 31, 2022		
<b>Fully paid equity shares (unquoted)</b>							
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 L.L.C.	2	2		
10,00,000	INR	100	TCS e-Serve International Limited	10	10		
1,00,500	GBP	0.00001	Tata Consultancy Services UK Limited	66	66		
2,50,00,000	EUR	1	Tata Consultancy Services Ireland Limited	224	224		
10,00,000	INR	10	TCS Foundation	-	-		
				<b>2,405</b>	<b>2,405</b>		

						(₹ crore)	
In Numbers	Currency	Face value per share	Equity instruments designated at fair value through OCI	As at December 31, 2022	As at March 31, 2022		
<b>Fully paid equity shares (unquoted)</b>							
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 - Billed**

Trade receivables - Billed (unsecured) consist of the following:

**Trade receivables - Billed – Non-current**

		(₹ crore)	
		As at December 31, 2022	As at March 31, 2022
Trade receivables - Billed		883	932
Less: Allowance for doubtful trade receivables - Billed		(815)	(842)
<b>Considered good</b>		<b>68</b>	<b>90</b>

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

**Trade receivables - Billed – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Trade receivables - Billed	36,414	30,010
Less: Allowance for doubtful trade receivables - Billed	(120)	(173)
<b>Considered good</b>	<b>36,294</b>	<b>29,837</b>
Trade receivables - Billed	149	137
Less: Allowance for doubtful trade receivables - Billed	(148)	(122)
<b>Credit impaired</b>	<b>1</b>	<b>15</b>
	<b>36,295</b>	<b>29,852</b>

**(c) Cash and cash equivalents**

Cash and cash equivalents consist of the following:

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Balances with banks</b>		
In current accounts	1,025	809
In deposit accounts	1,649	7,388
Cheques on hand	_*	_*
Cash on hand	_*	_*
Remittances in transit	_*	_*
	<b>2,674</b>	<b>8,197</b>

\*Represents value less than ₹0.50 crore.

**(d) Other balances with banks**

Other balances with banks consist of the following:

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Earmarked balances with banks	199	195
Short-term bank deposits	600	5,300
	<b>799</b>	<b>5,495</b>

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

**(e) Loans**

Loans (unsecured) consist of the following:

**Loans – Non-current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Considered good</b>		
Loans and advances to employees	3	8
	<b>3</b>	<b>8</b>

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

**Loans – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Considered good</b>		
Inter-corporate deposits	7,580	5,386
Loans and advances to employees	340	267
<b>Credit impaired</b>		
Loans and advances to employees	36	22
Less: Allowance on loans and advances to employees	(36)	(22)
	<b>7,920</b>	<b>5,653</b>

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**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Security deposits	575	613
Others	22	13
	<b>597</b>	<b>626</b>

**Other financial assets – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Security deposits	216	161
Fair value of foreign exchange derivative assets	42	388
Interest receivable	728	597
Others	213	286
	<b>1,199</b>	<b>1,432</b>

**(g) Other financial liabilities**

Other financial liabilities consist of the following:

**Other financial liabilities – Non-current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Capital creditors	125	289
Others	227	229
	<b>352</b>	<b>518</b>

Others include advance taxes paid of ₹226 crore and ₹226 crore as at December 31, 2022 and March 31, 2022, respectively, by the seller of TCS e-Serve Limited (merged with the Company) which, on refund by tax authorities is payable to the seller.

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

**Other financial liabilities – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Accrued payroll	4,662	3,914
Unclaimed dividends	48	46
Fair value of foreign exchange derivative liabilities	320	128
Capital creditors	582	723
Liabilities towards customer contracts	1,207	972
Others	65	43
	<b>6,884</b>	<b>5,826</b>

**(h) Financial instruments by category**

The carrying value of financial instruments by categories as at December 31, 2022 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
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	2,674	2,674
Bank deposits	-	-	-	-	600	600
Earmarked balances with banks	-	-	-	-	199	199
Investments (other than in subsidiary)	8,048	31,590	-	-	5,868	45,506
Trade receivables						
Billed	-	-	-	-	36,363	36,363
Unbilled	-	-	-	-	7,144	7,144
Loans	-	-	-	-	7,923	7,923
Other financial assets	-	-	1	41	1,754	1,796
	<b>8,048</b>	<b>31,590</b>	<b>1</b>	<b>41</b>	<b>62,525</b>	<b>1,02,205</b>
<b>Financial liabilities</b>						
Trade payables	-	-	-	-	12,648	12,648
Lease liabilities	-	-	-	-	5,721	5,721
Other financial liabilities	-	-	145	175	6,916	7,236
	-	-	<b>145</b>	<b>175</b>	<b>25,285</b>	<b>25,605</b>



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

The carrying value of financial instruments by categories as at March 31, 2022 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
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	8,197	8,197
Bank deposits	-	-	-	-	5,300	5,300
Earmarked balances with banks	-	-	-	-	195	195
Investments (other than in subsidiary)	884	26,909	-	-	1,469	29,262
Trade receivables						
Billed	-	-	-	-	29,942	29,942
Unbilled	-	-	-	-	6,303	6,303
Loans	-	-	-	-	5,661	5,661
Other financial assets	-	-	124	264	1,670	2,058
	<b>884</b>	<b>26,909</b>	<b>124</b>	<b>264</b>	<b>58,737</b>	<b>86,918</b>
<b>Financial liabilities</b>						
Trade payables	-	-	-	-	10,082	10,082
Lease liabilities	-	-	-	-	5,855	5,855
Other financial liabilities	-	-	22	106	6,216	6,344
	<b>-</b>	<b>-</b>	<b>22</b>	<b>106</b>	<b>22,153</b>	<b>22,281</b>

Carrying amounts of cash and cash equivalents, trade receivables, loans and trade payables as at December 31, 2022 and March 31, 2022, approximate the fair value due to their nature. Carrying amounts of bank deposits, earmarked balances with banks, other financial assets and other financial liabilities which are subsequently measured at amortised cost also approximate the fair value due to their nature in each of the periods presented. Fair value measurement of lease liabilities is not required. Fair value of investments carried at amortised cost is ₹5,861 crore and ₹1,470 crore as at December 31, 2022 and March 31, 2022, 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.

**TATA CONSULTANCY SERVICES LIMITED**  
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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 disclosures are required):

	(₹ crore)			
<b>As at December 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Mutual fund units	8,048	-	-	8,048
Equity shares	-	-	-	-
Government bonds and securities	28,653	-	-	28,653
Corporate bonds	2,937	-	-	2,937
Certificate of deposits	3,776	-	-	3,776
Commercial papers	1,096	-	-	1,096
Treasury bills	989	-	-	989
Fair value of foreign exchange derivative assets	-	42	-	42
	<b>45,499</b>	<b>42</b>	<b>-</b>	<b>45,541</b>
<b>Financial liabilities</b>				
Fair value of foreign exchange derivative liabilities	-	320	-	320
	<b>-</b>	<b>320</b>	<b>-</b>	<b>320</b>
<b>As at March 31, 2022</b>				
<b>Financial assets</b>				
Mutual fund units	884	-	-	884
Equity shares	-	-	-	-
Government bonds and securities	25,667	-	-	25,667
Corporate bonds	1,242	-	-	1,242
Certificate of deposits	99	-	-	99
Commercial papers	381	-	-	381
Treasury bills	990	-	-	990
Fair value of foreign exchange derivative assets	-	388	-	388
	<b>29,263</b>	<b>388</b>	<b>-</b>	<b>29,651</b>
<b>Financial liabilities</b>				
Fair value of foreign exchange derivative liabilities	-	128	-	128
	<b>-</b>	<b>128</b>	<b>-</b>	<b>128</b>

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

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

Foreign currency	As at December 31, 2022			As at March 31, 2022		
	No. of contracts	Notional amount of contracts (In million)	Fair value (₹ crore)	No. of contracts	Notional amount of contracts (In million)	Fair value (₹ crore)
US Dollar	3	75	-*	63	1,635	44
Great Britain Pound	43	369	(65)	41	338	55
Euro	35	369	(79)	53	382	25
Australian Dollar	-	-	-	30	202	(21)
Canadian Dollar	-	-	-	25	137	(1)

\*Represents value less than ₹0.50 crore.

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

	(₹ crore)			
	Nine month period ended December 31, 2022		Year ended March 31, 2022	
	Intrinsic value	Time value	Intrinsic value	Time value
<b>Balance at the beginning of the period</b>	<b>27</b>	<b>(53)</b>	<b>56</b>	<b>(27)</b>
(Gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	(464)	404	(636)	525
Deferred tax on (gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	110	(125)	139	(122)
Change in the fair value of effective portion of cash flow hedges	337	(471)	599	(559)
Deferred tax on change in the fair value of effective portion of cash flow hedges	(81)	141	(131)	130
<b>Balance at the end of the period</b>	<b>(71)</b>	<b>(104)</b>	<b>27</b>	<b>(53)</b>

The Company has entered into derivative instruments not in hedging relationship by way of foreign exchange forward, currency options and futures contracts. As at December 31, 2022 and March 31, 2022, the notional amount of outstanding contracts aggregated to ₹52,849 crore and ₹46,392 crore, respectively, and the respective fair value of these contracts have a net loss of ₹134 crore and gain of ₹158 crore.

Exchange loss of ₹928 crore and gain of ₹433 crore on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in the condensed standalone interim statement of profit and loss for three month periods ended December 31, 2022 and 2021, respectively.

Exchange loss of ₹1,514 crore and gain of ₹831 crore on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in the condensed standalone interim statement of profit and loss for nine month periods ended December 31, 2022 and 2021, respectively.

Net foreign exchange gain / (loss) include loss of ₹156 crore and gain of ₹26 crore transferred from cash flow hedging reserve for three month periods ended December 31, 2022 and 2021, respectively.

Net foreign exchange gain / (loss) include gain of ₹60 crore and ₹45 crore transferred from cash flow hedging reserve for nine month periods ended December 31, 2022 and 2021, respectively.

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**Notes forming part of Condensed Standalone Interim Financial Statements**

**(k) Equity instruments**

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

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Authorised</b>		
460,05,00,000 equity shares of ₹1 each	460	460
(March 31, 2022: 460,05,00,000 equity shares of ₹1 each)		
105,02,50,000 preference shares of ₹1 each	105	105
(March 31, 2022: 105,02,50,000 preference shares of ₹1 each)		
	<b>565</b>	<b>565</b>
<b>Issued, Subscribed and Fully paid up</b>		
365,90,51,373 equity shares of ₹1 each	366	366
(March 31, 2022: 365,90,51,373 equity shares of ₹1 each)		
	<b>366</b>	<b>366</b>

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.

The Company bought back 4,00,00,000 equity shares for an aggregate amount of ₹18,000 crore being 1.08% of the total paid up equity share capital at ₹4,500 per equity share in the previous year. The equity shares bought back were extinguished on March 29, 2022.

**7) 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 standalone price of the lease component and the aggregate standalone 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 asset 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 asset 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

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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 Leases 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 recognised 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 from contracts with customers to allocate the consideration in the contract.

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

	(₹ crore)	
	Additions for nine month period ended December 31, 2022	Net carrying amount as at December 31, 2022
Leasehold land	-	767
Buildings	624	4,688
Leasehold improvement	-	2
Computer equipment	-	53
Software licences	-	105
Vehicles	-	-*
	<b>624</b>	<b>5,615</b>

  

	(₹ crore)	
	Additions for the year ended March 31, 2022	Net carrying amount as at March 31, 2022
Leasehold land	100	774
Buildings	779	4,860
Leasehold improvement	-	4
Computer equipment	3	66
Software licences	145	133
Vehicles	-*	-*
	<b>1,027</b>	<b>5,837</b>

\*Represents value less than ₹0.50 crore.

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

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

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Leasehold land	2	2	7	6
Buildings	263	250	779	742
Leasehold improvement	1	1	2	3
Computer equipment	4	4	12	11
Software licences	9	9	27	28
Vehicles	-*	-	-*	-
	<b>279</b>	<b>266</b>	<b>827</b>	<b>790</b>

\*Represents value less than ₹0.50 crore.

Interest on lease liabilities is ₹106 crore and ₹111 crore for three month periods ended December 31, 2022 and 2021, respectively.

Interest on lease liabilities is ₹315 crore and ₹342 crore for nine month periods ended December 31, 2022 and 2021, respectively.

**8) 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 residual values 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	2-5 years
Electrical installations	4-10 years
Furniture and fixtures	5 years

Depreciation is not recorded on capital work-in-progress until construction and installation are 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.

**TATA CONSULTANCY SERVICES LIMITED**  
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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
323	7,737	1,885	752	9,925	35	2,395	1,872	1,512	26,436
-	8	42	31	902	6	111	25	17	1,142
-	(4)	(4)	-	(125)	(2)	(41)	(4)	(6)	(186)
323	7,741	1,923	783	10,702	39	2,465	1,893	1,523	27,392
-	(3,286)	(1,221)	(366)	(7,061)	(33)	(2,085)	(1,367)	(1,348)	(16,767)
-	(294)	(96)	(58)	(1,009)	(3)	(144)	(98)	(61)	(1,763)
-	4	4	-	125	2	41	3	6	185
-	(3,576)	(1,313)	(424)	(7,945)	(34)	(2,188)	(1,462)	(1,403)	(18,345)
323	4,165	610	359	2,757	5	277	431	120	9,047
									1,448
									10,495

\*₹1,142 crore has been capitalised and transferred to property, plant and equipment during nine month period ended December 31, 2022.

(₹ crore)									
Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
323	7,688	1,817	718	8,781	36	2,302	1,883	1,509	25,057
-	51	86	35	1,606	-	160	33	41	2,012
-	(2)	(18)	(1)	(462)	(1)	(67)	(44)	(38)	(633)
323	7,737	1,885	752	9,925	35	2,395	1,872	1,512	26,436
-	(2,897)	(1,108)	(293)	(6,349)	(31)	(2,001)	(1,270)	(1,287)	(15,236)
-	(391)	(131)	(73)	(1,172)	(3)	(151)	(140)	(99)	(2,160)
-	2	18	-	460	1	67	43	38	629
-	(3,286)	(1,221)	(366)	(7,061)	(33)	(2,085)	(1,367)	(1,348)	(16,767)
323	4,451	664	386	2,864	2	310	505	164	9,669
									1,146
									10,815

\*₹2,012 crore has been capitalised and transferred to property, plant and equipment during the year ended March 31, 2022.

**TATA CONSULTANCY SERVICES LIMITED**  
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**(b) Intangible assets**

Intangible assets purchased are measured at cost as at 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)
	<b>Rights under licensing agreement and software licences</b>
<b>Cost as at April 1, 2022</b>	<b>1,530</b>
Additions	197
Disposals / Derecognised	(43)
<b>Cost as at December 31, 2022</b>	<b>1,684</b>
<b>Accumulated amortisation as at April 1, 2022</b>	<b>(512)</b>
Amortisation	(342)
Disposals / Derecognised	43
<b>Accumulated amortisation as at December 31, 2022</b>	<b>(811)</b>
<b>Net carrying amount as at December 31, 2022</b>	<b>873</b>
	<b>(₹ crore)</b>
	<b>Rights under licensing agreement and software licences</b>
<b>Cost as at April 1, 2021</b>	<b>580</b>
Additions	961
Disposals / Derecognised	(11)
<b>Cost as at March 31, 2022</b>	<b>1,530</b>
<b>Accumulated amortisation as at April 1, 2021</b>	<b>(218)</b>
Amortisation	(305)
Disposals / Derecognised	11
<b>Accumulated amortisation as at March 31, 2022</b>	<b>(512)</b>
<b>Net carrying amount as at March 31, 2022</b>	<b>1,018</b>



**TATA CONSULTANCY SERVICES LIMITED**  
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**(c) Other assets**

Other assets consist of the following:

**Other assets – Non-current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Considered good</b>		
Capital advances	70	75
Advances to related parties	66	23
Contract assets	150	136
Prepaid expenses	1,706	1,197
Contract fulfillment costs	40	81
Others	280	285
	<b>2,312</b>	<b>1,797</b>
<b>Advances to related parties, considered good, comprise:</b>		
Voltas Limited	_*	_*
Tata Realty and Infrastructure Ltd	_*	_*
Tata Projects Limited	57	23
Titan Engineering and Automation Limited	-	_*
Saankhya Labs Private Limited	8	-
Universal MEP Projects & Engineering Services Limited	1	-

\*Represents value less than ₹0.50 crore.

**Other assets – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
<b>Considered good</b>		
Advance to suppliers	55	117
Advance to related parties	14	8
Contract assets	4,600	3,334
Prepaid expenses	986	2,735
Prepaid rent	2	7
Contract fulfillment costs	532	616
Indirect taxes recoverable	725	1,001
Others	374	214
<b>Considered doubtful</b>		
Advance to suppliers	3	2
Other advances	2	2
Less: Allowance on doubtful assets	(5)	(4)
	<b>7,288</b>	<b>8,032</b>
<b>Advance to related parties, considered good comprise:</b>		
Tata Consultancy Services De Mexico S.A.,De C.V.	1	-
TCS Financial Solutions Australia Pty Limited	1	-
Tata AIG General Insurance Company Limited	_*	1
Tata Sons Private Limited	7	7
Tata Consultancy Services Deutschland GmbH	5	-

\*Represents value less than ₹0.50 crore.

Non-current – Others includes advance of ₹271 crore and ₹271 crore towards acquiring right-of-use of leasehold land as at December 31, 2022 and March 31, 2022, respectively.

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

**(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 December 31, 2022	As at March 31, 2022
Raw materials, sub-assemblies and components	29	16
Finished goods and work-in-progress	-*	3
	<b>29</b>	<b>19</b>

\*Represents value less than ₹0.50 crore.

**(e) Other liabilities**

Other liabilities consist of the following:

**Other liabilities – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Advance received from customers	495	473
Indirect taxes payable and other statutory liabilities	2,265	2,271
Tax liability on buy-back of equity shares	-	4,192
Others	201	97
	<b>2,961</b>	<b>7,033</b>

**(f) Provisions**

Provisions consist of the following:

**Provisions – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Provision towards legal claim (Refer note 17)	207	1,249
Provision for foreseeable loss	77	125
Other provisions	3	3
	<b>287</b>	<b>1,377</b>

**9) 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.

**TATA CONSULTANCY SERVICES LIMITED**  
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- 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 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.

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 and to ascribe the transaction price to each distinct performance obligation. 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 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 from subsidiaries is recognised based on transaction price which is at arm's length.

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.

Contract assets are recognised when there are excess of revenues 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 are 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.

**TATA CONSULTANCY SERVICES LIMITED**  
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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 December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Consultancy services	48,700	40,372	1,39,467	1,16,917
Sale of equipment and software licences	575	473	1,107	965
	<b>49,275</b>	<b>40,845</b>	<b>1,40,574</b>	<b>1,17,882</b>

Revenue disaggregation by industry vertical is as follows:

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Banking, Financial Services and Insurance	17,535	14,757	50,370	43,226
Manufacturing	4,368	3,737	12,489	10,691
Retail and Consumer Business	8,538	6,889	24,580	19,755
Communication, Media and Technology	8,708	7,475	25,027	21,185
Life Sciences and Healthcare	5,785	4,655	16,406	13,414
Others	4,341	3,332	11,702	9,611
	<b>49,275</b>	<b>40,845</b>	<b>1,40,574</b>	<b>1,17,882</b>

Revenue disaggregation by geography is as follows:

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
<b>Americas</b>				
North America	29,491	23,172	84,053	66,125
Latin America	101	81	281	231
<b>Europe</b>				
United Kingdom	7,835	6,886	22,322	20,448
Continental Europe	4,920	4,415	14,061	13,110
Asia Pacific	3,028	2,785	8,907	8,366
India	2,914	2,649	8,075	7,029
Middle East and Africa	986	857	2,875	2,573
	<b>49,275</b>	<b>40,845</b>	<b>1,40,574</b>	<b>1,17,882</b>

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

#### 10) Other income

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

**TATA CONSULTANCY SERVICES LIMITED**  
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Other income consist of the following:

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Interest income	823	616	2,170	1,840
Dividend income	950	1,067	1,860	2,525
Net gain on disposal / fair valuation of investments carried at fair value through profit or loss	64	91	141	146
Net gain on disposal of property, plant and equipment	14	5	21	12
Net gain on lease modification	-	1	-	2
Net gain on sub-lease	7	-	7	-
Net foreign exchange gain / (loss)	(324)	420	(377)	908
Rent income	5	7	15	16
Other income	19	18	58	56
	<b>1,558</b>	<b>2,225</b>	<b>3,895</b>	<b>5,505</b>

**Interest income comprise:**

Interest on bank balances and bank deposits	23	45	130	146
Interest on financial assets carried at amortised cost	211	114	469	369
Interest on financial assets carried at fair value through OCI	589	457	1,571	1,325

**Dividend income comprise:**

Dividend from subsidiaries	950	1,067	1,860	2,525
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**11) 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 and foreign defined contribution plans to its employees which are treated as defined contribution plans.

**TATA CONSULTANCY SERVICES LIMITED**  
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**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 using the Projected Unit Credit Method.

Employee benefit expenses consist of the following:

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Salaries, incentives and allowances	22,214	18,613	64,310	53,972
Contributions to provident and other funds	1,582	1,406	4,725	4,210
Staff welfare expenses	682	516	1,925	1,572
	<b>24,478</b>	<b>20,535</b>	<b>70,960</b>	<b>59,754</b>

Employee benefit obligations consist of the following:

**Employee benefit obligations – Non-current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Foreign defined benefit plans	30	25
Other employee benefit obligations	80	78
	<b>110</b>	<b>103</b>

**Employee benefit obligations – Current**

	(₹ crore)	
	As at December 31, 2022	As at March 31, 2022
Compensated absences	3,040	2,802
Other employee benefit obligations	32	42
	<b>3,072</b>	<b>2,844</b>

**12) 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 licences, 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 receivables and advances (net) and other expenses. Other expenses are aggregation of costs which are individually not material such as commission and brokerage, recruitment and training, entertainment, etc.

**TATA CONSULTANCY SERVICES LIMITED**  
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**(a) Cost of equipment and software licences**

Cost of equipment and software licences consist of the following:

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Raw materials, sub-assemblies and components consumed	12	5	20	18
Equipment and software licences purchased	508	396	930	788
	<b>520</b>	<b>401</b>	<b>950</b>	<b>806</b>
<b>Finished goods and work-in-progress</b>				
Opening stock	-*	-*	3	-*
Less: Closing stock	-*	-*	-*	-*
	-	-*	3	-*
	<b>520</b>	<b>401</b>	<b>953</b>	<b>806</b>

\*Represents value less than ₹0.50 crore.

**(b) Other expenses**

Other expenses consist of the following:

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Fees to external consultants	6,590	5,036	19,133	13,912
Facility expenses	555	450	1,595	1,244
Travel expenses	584	435	1,524	1,096
Communication expenses	445	323	1,145	945
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	52	23	74	89
Other expenses	2,535	1,937	7,063	5,503
	<b>10,761</b>	<b>8,204</b>	<b>30,534</b>	<b>22,789</b>

Other expenses include ₹1,298 crore and ₹972 crore for the three month periods ended December 31, 2022 and 2021, respectively, towards sales, marketing and advertisement expenses.

Other expenses include ₹3,406 crore and ₹2,661 crore for the nine month periods ended December 31, 2022 and 2021, respectively, towards sales, marketing and advertisement expenses.

**TATA CONSULTANCY SERVICES LIMITED**  
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**13) Finance costs**

Finance costs consist of the following:

	(₹ crore)			
	Three month period ended December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Interest on lease liabilities	106	111	315	342
Interest on tax matters	-	-	2	2
Other interest costs	30	15	128	19
	<b>136</b>	<b>126</b>	<b>445</b>	<b>363</b>

**14) 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 having its branches in India and overseas where it operates. 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.



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Deferred tax assets include Minimum Alternate 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 in India and in some of the other jurisdictions where it operates. The disputes relate to tax treatment of certain expenses claimed as deduction, computation or eligibility of tax incentives and allowances and characterisation of fees for services received. The Company has recognised contingent liability in respect of tax demands received from direct tax authorities in India and other jurisdictions of ₹1,471 crore and ₹1,616 crore as at December 31, 2022 and March 31, 2022, respectively. These demand orders are being contested by the Company based on the management evaluation and advice of tax consultants. In respect of tax contingencies of ₹318 crore and ₹318 crore as at December 31, 2022 and March 31, 2022, respectively, not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

The Company periodically receives notices and inquiries from income tax authorities related to the Company's operations in the jurisdictions it operates in. The Company has evaluated these notices and inquiries and has concluded that any consequent income tax claims or demands by the income tax authorities will not succeed on ultimate resolution.

**15) 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 December 31, 2022	Three month period ended December 31, 2021	Nine month period ended December 31, 2022	Nine month period ended December 31, 2021
Profit for the period (₹ crore)	10,659	9,959	29,306	28,392
Weighted average number of equity shares	365,90,51,373	369,90,51,373	365,90,51,373	369,90,51,373
Basic and diluted earnings per share (₹)	29.13	26.93	80.09	76.76
Face value per equity share (₹)	1	1	1	1

**16) Segment information**

The Company publishes the condensed standalone 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.

**17) Commitments and contingencies**

**Capital commitments**

The Company has contractually committed (net of advances) ₹826 crore and ₹1,315 crore as at December 31, 2022 and March 31, 2022, respectively, for purchase of property, plant and equipment.

**Contingencies**

• **Direct tax matters**

Refer note 14.

• **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 ₹495 crore and ₹500 crore as at December 31, 2022 and March 31, 2022, respectively,

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from various indirect tax authorities which are being contested by the Company based on the management evaluation and advice of tax consultants.

- **Other claims**

Claims aggregating ₹217 crore and ₹235 crore as at December 31, 2022 and March 31, 2022, respectively, against the Company have not been acknowledged as debts.

In addition to above, 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 alleging unauthorised access to and download of their confidential information and use thereof in the development of the Company's product MedMantra.

In April 2016, the Company received an unfavourable jury verdict awarding damages of ₹7,778 crore (US \$940 million) to Epic which was thereafter reduced by the Trial Court to ₹3,475 crore (US \$420 million). Pursuant to reaffirmation of the District Court Order in March 2019, the Company filed an appeal in the Appeals Court to fully set aside the Order. Epic also filed a cross appeal challenging the reduction by the District Court judge of ₹827 crore (US \$100 million) award and ₹1,655 crore (US \$200 million) in punitive damages.

On August 20, 2020, the Appeals Court (a) vacated the award of ₹2,317 crore (US \$280 million) in punitive damages considering the award to be constitutionally excessive and remanded the case back to District Court with instructions to reassess and reduce the punitive damages award to at most ₹1,158 crore (US \$140 million), (b) affirmed the District Court's decision vacating the jury's award of ₹827 crore (US \$100 million) in compensatory damages for alleged use of "other confidential information" by the Company, and, (c) affirmed the District Court's decision upholding the jury's award of ₹1,158 crore (US \$140 million) in compensatory damages for use of the comparative analysis by the Company. Considering all the facts and various legal precedence, on a conservative and prudent basis, the Company provided ₹1,218 crore (US \$165 million) towards this legal claim in its statement of profit and loss for three month period ended September 30, 2020. This was presented as an "exceptional item" in the standalone statement of profit and loss. On April 8, 2021, Epic approached the Supreme Court seeking review of the Order of the Appeals Court which was denied by the Supreme Court on March 21, 2022.

On April 21, 2022, Epic invoked payment of ₹1,158 crore (US \$140 million) out of ₹3,641 crore (US \$440 million) Letter of Credit provided as security, towards compensatory damages awarded by the District Court and confirmed by the Appeals Court, already provided for in the earlier years.

On July 1, 2022, the District Court passed an Order affirming the punitive damages at ₹1,158 crore (US \$140 million). The Company has filed an appeal on November 16, 2022, in the Appeals Court to reduce the punitive damages awarded by the District Court, which is pending.

Pursuant to encashment of the Letter of Credit towards compensatory damages, the value of Letter of Credit made available to Epic stands reduced to ₹1,258 crore (US \$152 million).

- **Guarantees and letter of comfort**

The Company has 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.

## **18) Related party transactions**

The Company paid an amount of ₹5,817 crore to Tata Sons Private Limited, the holding company, towards final dividend for the year ended March 31, 2022, as approved by the shareholders in the Annual General Meeting. Additionally, the Company also paid an amount of ₹4,231 crore towards interim dividend for the year ending March 31, 2023, 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.

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- 19)** The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The Ministry of Labour and Employment had released draft rules for the Code on Social Security, 2020 on November 13, 2020. The Company will assess the impact and its evaluation once the subject rules are notified. The Company will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

**20) Dividend**

The Board of Directors at its meeting held on January 9, 2023, has declared an interim dividend of ₹8.00 per equity share and special dividend of ₹67.00 per equity share.

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 no: 101248W/W-100022

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

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

**Amit Somani**  
*Partner*  
Membership No: 060154  
*Mumbai, January 9, 2023*

**Samir Seksaria**  
*CFO*

**Pradeep Manohar Gaitonde**  
*Company Secretary*

*Mumbai, January 9, 2023*