TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Balance Sheet

	Note	As at June 30, 2019 (₹crore)	As at March 31, 2019 (₹crore)
ASSETS			
Non-current assets			
(a) Property, plant and equipment	9(a)	10,244	10,411
(b) Capital work-in-progress		1,180	963
(c) Right-of-use assets	8	6,290	-
(d) Goodwill	9(b)	1,709	1,700
(e) Other intangible assets	9(c)	224	179
(f) Financial assets			
(i) Investments	7(a)	218	239
(ii) Trade receivables	7(b)	74	95
(iii) Unbilled receivables		375	391
(iv) Loans receivables	7(e)	74	60
(v) Other financial assets	7(f)	763	738
(g) Income tax assets (net)		3,288	4,017
(h) Deferred tax assets (net)		3,110	2,656
(i) Other assets	9(d)	1,729	1,363
Total non-current assets		**29,278**	**22,812**
Current assets			
(a) Inventories	9(e)	6	10
(b) Financial assets			
(i) Investments	7(a)	30,417	29,091
(ii) Trade receivables	7(b)	28,055	27,346
(iii) Unbilled receivables		5,459	5,157
(iv) Cash and cash equivalents	7(c)	5,666	7,224
(v) Other balances with banks	7(d)	6,546	5,624
(vi) Loans receivables	7(e)	6,625	8,029
(vii) Other financial assets	7(f)	1,695	1,769
(c) Income tax assets (net)		1,782	1,853
(d) Other assets	9(d)	6,588	6,028
Total current assets		**92,839**	**92,131**
TOTAL ASSETS		**1,22,117**	**1,14,943**
EQUITY AND LIABILITIES			
Equity			
(a) Share capital	7(k)	375	375
(b) Other equity		88,950	89,071
Equity attributable to shareholders of the Company		**89,325**	**89,446**
Non-controlling interests		504	453
Total equity		**89,829**	**89,899**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings and lease liabilities		5,768	44
(ii) Other financial liabilities	7(g)	292	287
(b) Unearned and deferred revenue		605	844
(c) Employee benefit obligations	12	333	330
(d) Provisions		-	-
(e) Deferred tax liabilities (net)		886	1,042
(f) Other liabilities	9(f)	1	413
Total non-current liabilities		**7,885**	**2,960**
Current liabilities			
(a) Financial liabilities			
(i) Borrowings and lease liabilities		1,078	-
(ii) Trade payables		6,671	6,292
(iii) Other financial liabilities	7(g)	3,598	4,903
(b) Unearned and deferred revenue		2,506	2,392
(c) Income tax liabilities(net)		4,235	2,667
(d) Employee benefit obligations	12	2,566	2,356
(e) Provisions		244	239
(f) Other liabilities	9(f)	3,505	3,235
Total current liabilities		**24,403**	**22,084**
TOTAL EQUITY AND LIABILITIES		**1,22,117**	**1,14,943**

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

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

Yezdi Nagporewalla
Partner
Membership No: 049265

Mumbai, July 9, 2019

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

V Ramakrishnan
CFO

N Ganapathy Subramaniam
COO and Executive Director

Rajendra Moholkar
Company Secretary

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

(₹crore)

		Note	Three month period ended June 30, 2019	Three month period ended June 30, 2018
I.	Revenue	10	38,172	34,261
II.	Other income	11	1,675	1,225
III.	**TOTAL INCOME**		**39,847**	**35,486**
IV.	**Expenses**			
	(a) Employee benefit expenses	12	20,809	18,548
	(b) Cost of equipment and software licences	13(a)	511	613
	(c) Depreciation and amortisation expense		817	493
	(d) Other expenses	13(b)	6,815	6,029
	(e) Finance costs	14	257	17
	TOTAL EXPENSES		**29,209**	**25,700**
V.	**PROFIT BEFORE TAX**		**10,638**	**9,786**
VI.	**Tax expense**			
	(a) Current tax		3,034	1,713
	(b) Deferred tax		(549)	711
	TOTAL TAX EXPENSE		**2,485**	**2,424**
VII.	**PROFIT FOR THE PERIOD**		**8,153**	**7,362**
VIII.	**OTHER COMPREHENSIVE INCOME (OCI)**			
(A)	**(i) Items that will not be reclassified subsequently to profit or loss**			
	(a)Remeasurement of defined employee benefit plans		2	(43)
	(b) Net change in fair values of investments in equity shares carried at fair value through OCI		(20)	-
	(ii) Income tax on items that will not be reclassified subsequently to profit or loss		-	-
(B)	**(i) Items that will be reclassified subsequently to profit or loss**			
	(a) Net change in fair values of investments other than equity shares carried at fair value through OCI		362	(667)
	(b) Net change in intrinsic value of derivatives designated as cash flow hedges		(54)	31
	(c) Net change in time value of derivatives designated as cash flow hedges		(33)	13
	(d) Exchange differences on translation of financial statements of foreign operations		52	88
	(ii) Income tax on items that will be reclassified subsequently to profit or loss		(117)	230
	TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)		**192**	**(348)**
IX.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**		**8,345**	**7,014**
	Profit for the period attributable to:			
	Shareholders of the Company		8,131	7,340
	Non-controlling interests		22	22
			8,153	**7,362**
	Total comprehensive income for the period attributable to:			
	Shareholders of the Company		8,319	6,985
	Non-controlling interests		26	29
			8,345	**7,014**
X.	**Earnings per equity share:- Basic and diluted (₹)**	16	21.67	19.17
	Weighted average number of equity shares		375,23,84,706	382,85,75,182

XI. **NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As per our report of even date attached

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

Yezdi Nagporewalla
Partner
Membership No: 049265

Mumbai, July 9, 2019

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

V Ramakrishnan
CFO

N Ganapathy Subramaniam
COO and Executive Director

Rajendra Moholkar
Company Secretary

TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Changes in Equity

A. EQUITY SHARE CAPITAL

(₹ crore)

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

(₹ crore)

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

*Refer note 7

B. OTHER EQUITY

(₹crore)

	Reserves and surplus							Items of other comprehensive income				Equity attributable to shareholders of the Company	Non-controlling interests	Total Equity
	Capital reserve	Securities premium	Capital redemption reserve	General reserve	Special Economic Zone re-investment reserve	Retained earnings	Statutory reserve	Investment revaluation reserve	Cash flow hedging reserve – Intrinsic value	Cash flow hedging reserve – Time value	Foreign currency translation reserve			
Balance as at April 1, 2018	**75**	**-**	**529**	**1,423**	**1,578**	**79,755**	**258**	**(84)**	**(2)**	**(69)**	**1,474**	**84,937**	**402**	**85,339**
Profit for the year	-	-	-	-	-	7,340	-	-	-	-	-	7,340	22	7,362
Other comprehensive income / (losses)	-	-	-	-	-	(43)	-	(434)	26	15	81	(355)	7	(348)
Total comprehensive income / (losses)	**-**	**-**	**-**	**-**	**-**	**7,297**	**-**	**(434)**	**26**	**15**	**81**	**6,985**	**29**	**7,014**
Dividend (including tax on dividend of ₹871 crore)	-	-	-	-	-	(6,419)	-	-	-	-	-	(6,419)	(48)	(6,467)
Issue of bonus shares[1]	-	-	(106)	-	-	(86)	-	-	-	-	-	(192)	-	(192)
Transfer to reserves	-	-	-	-	-	(1)	1	-	-	-	-	-	-	-
Balance as at June 30, 2018	**75**	**-**	**423**	**1,423**	**1,578**	**80,546**	**259**	**(518)**	**24**	**(54)**	**1,555**	**85,311**	**383**	**85,694**
Balance as at April 1, 2019	**75**	**-**	**431**	**27**	**994**	**85,520**	**348**	**192**	**134**	**(30)**	**1,380**	**89,071**	**453**	**89,524**
Transition impact of Ind AS 116[2]	-	-	-	-	-	(357)	-	-	-	-	-	(357)	(2)	(359)
Restated balance as at April 1, 2019	**75**	**-**	**431**	**27**	**994**	**85,163**	**348**	**192**	**134**	**(30)**	**1,380**	**88,714**	**451**	**89,165**
Profit for the year	-	-	-	-	-	8,131	-	-	-	-	-	8,131	22	8,153
Other comprehensive income / (losses)	-	-	-	-	-	2	-	215	(48)	(29)	48	188	4	192
Total comprehensive income / (losses)	**-**	**-**	**-**	**-**	**-**	**8,133**	**-**	**215**	**(48)**	**(29)**	**48**	**8,319**	**26**	**8,345**
Dividend (including tax on dividend of ₹1,239 crore)	-	-	-	-	-	(7,990)	-	-	-	-	-	(7,990)	(66)	(8,056)
Purchase of non-controlling interests	-	-	-	-	-	(93)	-	-	-	-	-	(93)	93	-
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	765	(765)	-	-	-	-	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	-	(389)	389	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	(27)	27	-	-	-	-	-	-	-
Balance as at June 30, 2019	**75**	**-**	**431**	**27**	**1,370**	**84,810**	**375**	**407**	**86**	**(59)**	**1,428**	**88,950**	**504**	**89,454**

[1]Refer note 7
[2]Refer note 8

Total equity (primarily retained earnings) includes ₹875 crore and ₹788 crore as at June 30, 2019 and 2018, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Changes in Equity

Nature and purpose of reserves

a. Capital reserve

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

b. Securities premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of section 52 of the Companies Act, 2013.

c. 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.

d. General reserve

The general reserve is a free reserve which is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to statement of profit and loss.

e. Special Economic Zone re-investment reserve

The Special Economic Zone (SEZ) re-investment reserve has been 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 Group for acquiring new assets for the purpose of its business as per the terms of section 10AA(2) of Income-tax Act, 1961.

f. Investment revaluation reserve

This reserve represents the cumulative gains and losses arising on the revaluation of equity / debt instruments measured at fair value through other comprehensive income, net of amounts reclassified to retained earnings / profit and loss when those assets have been disposed off.

g. 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.

h. Foreign currency translation reserve

The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income and is presented within equity in the foreign currency translation reserve.

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

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

Yezdi Nagporewalla
Partner
Membership No: 049265

Mumbai, July 9, 2019

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

V Ramakrishnan
CFO

N Ganapathy Subramaniam
COO and Executive Director

Rajendra Moholkar
Company Secretary

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TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Cash Flows

(₹crore)

		Three month period ended June 30, 2019	Three month period ended June 30, 2018
I	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit for the period	8,153	7,362
	Adjustments to reconcile profit and loss to net cash provided by operating activities		
	Depreciation and amortisation expense	817	493
	Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	50	48
	Tax expense	2,485	2,424
	Finance costs	257	17
	Net gain on disposal of property, plant and equipment	(3)	(21)
	Unrealised foreign exchange (gain) / loss	1	(2)
	Dividend income	(1)	-
	Interest income	(1,190)	(790)
	Net gain on investments	(97)	(156)
	Operating profit before working capital changes	**10,472**	**9,375**
	Net change in		
	Inventories	4	2
	Trade receivables	(584)	(2,298)
	Unbilled receivables	(287)	2,310
	Loans and other financial assets	41	(206)
	Other assets	(1,270)	(2,914)
	Trade payables	302	375
	Unearned and deferred revenue	(138)	252
	Other financial liabilities	(1,167)	(126)
	Other liabilities and provisions	694	480
	Cash generated from operations	**8,067**	**7,250**
	Taxes paid (net of refunds)	(666)	(638)
	Net cash generated from operating activities	**7,401**	**6,612**
II	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Bank deposits placed	(931)	(186)
	Inter-corporate deposits placed	(3,385)	(4,126)
	Purchase of investments*	(22,326)	(22,033)
	Payment for purchase of property, plant and equipment	(363)	(435)
	Payment for acquiring right-of-use of assets	(545)	-
	Payment for purchase of intangible assets	(64)	(16)
	Earmarked deposits placed with banks	-	(6)
	Proceeds from bank deposits	14	525
	Proceeds from inter-corporate deposits	4,812	12
	Proceeds from disposal / redemption of investments*	21,438	25,194
	Proceeds from disposal of property, plant and equipment	80	23
	Dividend received	1	-
	Interest received	1,089	746
	Net cash generated from investing activities	**(180)**	**(302)**

TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Cash Flows

		Three month period ended June 30, 2019	Three month period ended June 30, 2018
			(₹crore)
III	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Short-term borrowings (net)	-	(180)
	Dividend paid (including tax on dividend)	(7,990)	(6,419)
	Dividend paid to non-controlling interests (including tax on dividend)	(66)	(48)
	Purchase of non-controlling interests	(227)	-
	Interest paid	(139)	(15)
	Repayment of lease liabilities	(371)	(3)
	Net cash used in financing activities	**(8,793)**	**(6,665)**
	Net change in cash and cash equivalents	**(1,572)**	**(355)**
	Cash and cash equivalents at the beginning of the period	7,224	4,883
	Exchange difference on translation of foreign currency cash and cash equivalents	14	85
	Cash and cash equivalents at the end of the period (Refer Note 7)	**5,666**	**4,613**

*Purchase of investments include ₹438 crore and ₹10 crore for the years ended June 30, 2019 and 2018, respectively, and proceeds from disposal / redemption of investments include ₹439 crore and ₹7 crore for the years ended June 30, 2019 and 2018, respectively, held by TCS Foundation, formed for conducting corporate social responsibility activities of the Group.

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

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

Yezdi Nagporewalla
Partner
Membership No: 049265

Mumbai, July 9, 2019

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

V Ramakrishnan
CFO

N Ganapathy Subramaniam
COO and Executive Director

Rajendra Moholkar
Company Secretary

1) **Corporate information**

Tata Consultancy Services Limited ("the Company") and its subsidiaries (collectively together with the employee welfare trusts referred to as "the Group") provide IT services, consulting and business solutions that have been partnering with many of the world's largest businesses in their transformation journeys for the last fifty years. The Group 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 June 30, 2019, Tata Sons Private Limited, the holding company owned 72.02% of the Company's equity share capital.

The Board of Directors approved the condensed consolidated interim financial statements for the period ended June 30, 2019 and authorised for issue on July 9, 2019.

2) **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") 34 Interim Financial Reporting prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended from time to time.

3) **Basis of preparation**

These condensed consolidated interim financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair value or amortised cost at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities have been classified as current and non-current as per the Group'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 Group has considered an operating cycle of 12 months.

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

The functional currency of the Company and its Indian subsidiaries is the Indian Rupee (₹). The functional currency of foreign subsidiaries is the currency of the primary economic environment in which the entity operates. Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are retranslated at the exchange rate prevailing on the balance sheet date and exchange gains and losses arising on settlement and restatement are recognised in the condensed consolidated interim statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

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

4) **Basis of consolidation**

The Company consolidates all entities which are controlled by it.

The Company establishes control when; it has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect the entity's returns by using its power over relevant activities of the entity.

Entities controlled by the Company are consolidated from the date control commences until the date control ceases.

The results of subsidiaries acquired, or sold, during the year are consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

Assets and liabilities of entities with functional currency other than the functional currency of the Company have been translated using exchange rates prevailing on the balance sheet date. Statement of profit and loss of such entities has been translated using weighted average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

5) **Use of estimates and judgements**

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

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

a. Revenue recognition

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

b. Useful lives of property, plant and equipment

The Group 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 goodwill

The Group estimates the value-in-use of the cash generating unit (CGU) based on the future cash flows after considering current economic conditions and trends, estimated future operating results and growth rate and anticipated future economic and regulatory conditions. The estimated cash flows are developed using internal forecasts. The discount rate used for the CGU's represent the weighted average cost of capital based on the historical market returns of comparable companies.

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. The policy has been further explained under note 7.

e. Valuation of deferred tax assets

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period. The policy has been explained under note 15.

f. Provisions and contingent liabilities

The Group 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 date and are adjusted to reflect the current best estimates.

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

g. Employee benefits

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

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

The Group 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 Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. In assessing whether the Group 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 Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group 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.

6) **Business combinations**

The Group accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in the condensed consolidated interim statement of profit and loss as incurred. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date.

Purchase consideration paid in excess of the fair value of net assets acquired is recognised as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests’ proportionate share of the acquiree’s identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity of subsidiaries.

Business combinations arising from transfers of interests in entities that are under common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity is recorded in shareholders’ equity.

The Company acquired W12 Studios Limited, an award-winning digital design studio based in London on October 31, 2018. The Company paid ₹66 crore (GBP 7 million) to acquire 100% equity shares of W12 Studios Limited.

Purchase consideration paid for this acquisition has been allocated as follows:

	(₹ crore)
	As at March 31, 2019
Cash and cash equivalents	16
Net assets acquired, at fair value other than cash and cash equivalents	8
Intangible assets	28
Goodwill	14
	66

Revenues and net profit of the acquiree included in the consolidated financial statements and proforma revenue and net profit information as at the beginning of April 1, 2018 have not been presented because the amounts are immaterial.

7) **Financial assets, financial liabilities and equity instruments**

Financial assets and liabilities are recognised when the Group 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 Group 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 Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

Cash and cash equivalents

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

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset 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 Group 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.

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 Group are recognised at the proceeds received net of direct issue cost.

Derivative accounting

- **Instruments in hedging relationship**

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

  The hedge instruments are designated and documented as hedges at the inception of the contract. The Group 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 other comprehensive income and accumulated under the heading cash flow hedging reserve.

  The Group separates the intrinsic value and time value of an option and designates as hedging instruments only the change in intrinsic value of the option. The change in fair value of the time value and intrinsic value of an option is recognised in 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 statement of profit and loss when the forecasted transaction ultimately affects the profit and loss.

- **Instruments not in hedging relationship**

  The Group enters into the 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 Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group 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-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

(a) Investments

Investments consist of the following:

Investments - Non-current

	As at June 30, 2019 (₹crore)	As at March 31, 2019 (₹crore)
Investments designated at fair value through OCI		
Fully paid equity shares (unquoted)		
Mozido LLC	69	69
FCM LLC	52	52
Taj Air Limited	19	19
Philippine Dealing System Holdings Corporation	6	6
Less: Impairment in value of investments	(108)	(88)
Investments carried at amortised cost		
Government bonds and securities (quoted)	164	165
Corporate bonds (quoted)	16	16
	218	**239**

Investments - Non-current includes ₹180 crore and ₹181 crore as at June 30, 2019 and March 31, 2019, respectively, pertains to trusts held for specified purposes.

Investments - Current

	As at June 30, 2019 (₹crore)	As at March 31, 2019 (₹crore)
Investments carried at fair value through profit or loss		
Mutual fund units (quoted)	2,341	3,745
Mutual fund units (unquoted)	-	63
Investments carried at fair value through OCI		
Government bonds and securities (quoted)	24,376	23,566
Corporate bonds (quoted)	2,975	1,206
Investment carried at amortised cost		
Certificate of deposits (quoted)	500	490
Corporate bonds (quoted)	30	21
Commercial papers (quoted)	195	-
	30,417	**29,091**

Investments - current includes ₹128 crore and ₹121 crore as at June 30, 2019 and March 31, 2019, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

Aggregate value of quoted and unquoted investments is as follows:

	As at June 30, 2019 (₹crore)	As at March 31, 2019 (₹crore)
Aggregate value of quoted investments	30,597	29,209
Aggregate value of unquoted investments (net of impairment)	38	121
Aggregate market value of quoted investments	30,616	29,222
Aggregate value of impairment of investments	108	88

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

		(₹crore)
	As at June 30, 2019	As at March 31, 2019
Government bonds and securities	183	177
Certificate of deposits	500	491
Corporate bonds	46	36
Commercial papers	195	-

(b) Trade receivables

Trade receivables (unsecured) consist of the following:

Trade receivables - Non-current

		(₹crore)
	As at June 30, 2019	As at March 31, 2019
Considered good	609	569
Less: Allowance for doubtful trade receivables	(535)	(474)
	74	**95**

Trade receivables - Current

		(₹crore)
	As at June 30, 2019	As at March 31, 2019
Considered good	28,251	27,629
Less: Allowance for doubtful trade receivables	(265)	(340)
	27,986	**27,289**
Credit impaired	331	263
Less: Allowance for doubtful trade receivables	(262)	(206)
	69	**57**
	28,055	**27,346**

(c) Cash and cash equivalents

Cash and cash equivalents consist of the following:

		(₹crore)
	As at June 30, 2019	As at March 31, 2019
Balances with banks		
In current accounts	4,936	6,463
In deposit accounts	712	733
Cheques on hand	1	2
Cash on hand	3	19
Remittances in transit	14	7
	5,666	**7,224**

Balances with banks in current accounts include ₹3 crore and ₹5 crore as at June 30, 2019 and March 31, 2019, respectively, pertaining to trusts held for specified purposes.

(d) Other balances with banks

Other balances with banks consist of the following:

(₹crore)

	As at June 30, 2019	As at March 31, 2019
Earmarked balances with banks	203	196
Short-term bank deposits	6,343	5,428
	6,546	**5,624**

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

(e) Loans receivables

Loans receivables (unsecured) consist of the following:

Loans receivables - Non-current

(₹crore)

	As at June 30, 2019	As at March 31, 2019
Considered good		
Inter-corporate deposits	58	58
Loans and advances to employees	16	2
	74	**60**

Loans receivables - Current

(₹crore)

	As at June 30, 2019	As at March 31, 2019
Considered good		
Inter-corporate deposits	6,239	7,667
Loans and advances to employees	386	362
Credit impaired		
Loans and advances to employees	17	63
Less: Allowance on loans and advances to employees	(17)	(63)
	6,625	**8,029**

Inter-corporate deposits placed with financial institutions yield fixed interest rate.
Inter-corporate deposits Includes ₹630 crore and ₹600 crore as at June 30, 2019 and March 31, 2019, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

(f) Other financial assets

Other financial assets consist of the following:

Other financial assets - Non-current

(₹crore)

	As at June 30, 2019	As at March 31, 2019
Security deposits	759	737
Earmarked balances with banks	1	1
Others	3	-
	763	**738**

Other financial assets - Current

		(₹ crore)
	As at June 30, 2019	**As at March 31, 2019**
Security deposits	110	154
Fair value of foreign exchange derivative assets	494	585
Interest receivable	946	834
Others	145	196
	1,695	**1,769**

Interest receivable includes ₹25 crore and ₹46 crore as at June 30, 2019 and March 31, 2019, respectively, pertaining to trusts and TCS Foundation.

(g) Other financial liabilities

Other financial liabilities consist of the following:

Other financial liabilities - Non-current

		(₹ crore)
	As at June 30, 2019	**As at March 31, 2019**
Capital creditors	7	3
Others	285	284
	292	**287**

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

Other financial liabilities - Current

		(₹ crore)
	As at June 30, 2019	**As at March 31, 2019**
Accrued payroll	2,002	3,203
Current maturities of finance lease obligations	-	18
Unclaimed dividends	46	41
Fair value of foreign exchange derivative liabilities	82	60
Capital creditors	392	303
Liabilities towards customer contracts	881	895
Others	195	383
	3,598	**4,903**

Other financial liabilities in the previous year included a liability accrued towards exercise of put/call option for acquisition by Tata Consultancy Services Asia Pacific Pte Ltd. of additional 15% stake in its joint venture with Mitsubishi Corporation in Tata Consultancy Services Japan, Ltd. On June 26, 2019, pursuant to exercise of put option by Mitsubishi Corporation, Tata Consultancy Services Asia Pacific Pte Ltd. acquired additional 15% stake for an amount of ₹227crore (JPY 3,500 million).

(h) Financial instruments by category

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

(₹crore)

	Fair value through profit or loss	Fair value through other comprehensive income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
Financial assets						
Cash and cash equivalents	-	-	-	-	5,666	5,666
Bank deposits	-	-	-	-	6,343	6,343
Earmarked balances with banks	-	-	-	-	204	204
Investments	2,341	27,389	-	-	905	30,635
Trade receivables	-	-	-	-	28,129	28,129
Unbilled receivables	-	-	-	-	5,834	5,834
Loans receivables	-	-	-	-	6,699	6,699
Other financial assets	-	-	199	295	1,963	2,457
Total	**2,341**	**27,389**	**199**	**295**	**55,743**	**85,967**
Financial liabilities						
Trade payables	-	-	-	-	6,671	6,671
Borrowings and lease liabilities	-	-	-	-	6,846	6,846
Other financial liabilities	-	-	-	82	3,808	3,890
Total	**-**	**-**	**-**	**82**	**17,325**	**17,407**

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

(₹crore)

	Fair value through profit or loss	Fair value through other comprehensive income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
Financial assets						
Cash and cash equivalents	-	-	-	-	7,224	7,224
Bank deposits	-	-	-	-	5,428	5,428
Earmarked balances with banks	-	-	-	-	197	197
Investments	3,808	24,830	-	-	692	29,330
Trade receivables	-	-	-	-	27,441	27,441
Unbilled receivables	-	-	-	-	5,548	5,548
Loans receivables	-	-	-	-	8,089	8,089
Other financial assets	-	-	237	348	1,921	2,506
Total	**3,808**	**24,830**	**237**	**348**	**56,540**	**85,763**
Financial liabilities						
Trade payables	-	-	-	-	6,292	6,292
Borrowings	-	-	-	-	44	44
Other financial liabilities	218	-	-	60	4,912	5,190
Total	**218**	**-**	**-**	**60**	**11,248**	**11,526**

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables, loans receivables and trade payables as at June 30, 2019 and March 31, 2019, approximate the fair value. Difference between carrying amounts and fair values of bank deposits, earmarked balances with banks, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the periods presented. Fair value of investments carried at amortised cost is ₹924 crore and ₹704 crore as at June 30, 2019 and March 31, 2019, respectively.

(i) Fair value hierarchy

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

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

The cost of unquoted investments included in Level 3 of fair value hierarchy approximate their fair value because there is a wide range of possible fair value measurements and the cost represents estimate of fair value within that range.

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

(₹crore)

As at June 30, 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	2,341	-	-	2,341
Equity shares	-	-	38	38
Government bonds and securities	24,559	-	-	24,559
Certificate of deposits	500	-	-	500
Corporate bonds	3,021	-	-	3,021
Commercial papers	195	-	-	195
Derivative financial assets	-	494	-	494
Total	**30,616**	**494**	**38**	**31,148**
Financial liabilities				
Derivative financial liabilities	-	82	-	82
Other financial liabilities	-	-	-	-
Total	**-**	**82**	**-**	**82**

(₹crore)

As at March 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	3,745	63	-	3,808
Equity shares	-	-	58	58
Government bonds and securities	23,743	-	-	23,743
Certificate of deposits	491	-	-	491
Corporate bonds	1,243	-	-	1,243
Derivative financial assets	-	585	-	585
Total	**29,222**	**648**	**58**	**29,928**
Financial liabilities				
Derivative financial liabilities	-	60	-	60
Other financial liabilities	-	-	218	218
Total	**-**	**60**	**218**	**278**

(j) Derivative financial instruments and hedging activity

The Group'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 Group to currency fluctuations.

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

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

	As at June 30, 2019			As at March 31, 2019		
Foreign currency	**No. of contracts**	**Notional amount of contracts (In millions)**	**Fair value (₹crore)**	**No. of contracts**	**Notional amount of contracts (In millions)**	**Fair value (₹crore)**
US Dollar	43	1,168	76	28	1,000	128
Great Britain Pound	71	535	94	24	177	23
Euro	51	403	10	33	239	50
Australian Dollar	45	299	15	26	181	22
Canadian Dollar	33	183	4	21	99	14

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

(₹crore)

	Three month period ended June 30, 2019		Year ended Mar 31, 2019	
	Intrinsic value	**Time value**	**Intrinsic value**	**Time value**
Balance at the beginning of the period	134	(30)	(2)	(69)
(Gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	(216)	120	(488)	458
Deferred tax on (gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	23	(14)	94	(25)
Change in the fair value of effective portion of cash flow hedges	162	(153)	641	(414)
Deferred tax on fair value of effective portion of cash flow hedges	(17)	18	(111)	20
Balance at the end of the period	**86**	**(59)**	**134**	**(30)**

The Group has entered into derivative instruments not in hedging relationship by way of foreign exchange forward, currency options and futures contracts. As at June 30, 2019 and March 31, 2019, the notional amount of outstanding contracts aggregated to ₹35,222 crore and ₹34,939 crore, respectively and the respective fair value of these contracts have a net gain of ₹213 crore and net gain of ₹288 crore.

Exchange gain of ₹353 crore and exchange loss of ₹82 crore on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in the condensed consolidated interim statement of profit and loss for three month periods ended on June 30, 2019 and 2018, respectively.

Net foreign exchange gains include gain of ₹96 crore and exchange loss of ₹91 crore transferred from cash flow hedging reserve for three month periods ended on June 30, 2019 and 2018, respectively.

(k) Equity instruments

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

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

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

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

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

8) **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.

Group as a lessee

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

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

The Group 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 Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, 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 Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. 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 Group recognises any remaining amount of the re-measurement in statement of profit and loss.

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

Group as a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group 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 Group 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 Group 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 Group applies Ind AS 115 Revenue to allocate the consideration in the contract.

Transition to Ind AS 116

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

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

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

As a lessee

Operating leases

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

On transition, the Group recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. Accordingly, a right-of-use asset of ₹6,360 crore and lease liability of ₹6,831 crore has been recognised. The cumulative effect on transition in retained earnings net of taxes is ₹359 crore (including the deferred tax of ₹170 crore) . The principle portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flow from operating activities. The weighted average incremental borrowing rate of 6.78% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

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

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

Finance lease

The Group has leases that were classified as finance leases applying Ind AS 17. For such leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of Ind AS 116 is the carrying amount of the lease asset and lease liability on the transition date as measured applying Ind AS 17. Accordingly, an amount of ₹31 crore has been reclassified from property, plant and equipment to right-of-use assets. An amount of ₹18 crore has been reclassified from other current financial liabilities to lease liability – current and an amount of ₹44 crore has been reclassified from borrowings – non-current to lease liability – non-current.

As a lessor

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

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

		(₹ crore)
	Additions for the period	**Net carrying amount as at June 30, 2019**
Leasehold Land	-	230
Buildings	228	5,977
Leasehold improvements	-	39
Computer equipment	6	20
Vehicles	1	22
Office equipment	-	1
Furniture and fixtures	-	1
	235	**6,290**

The following table presents the various components of lease costs:

	(₹ crore)
	Three month period ended June 30, 2019
Depreciation	298
Interest on lease liabilities	118

9) **Non-financial assets and 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	5 years
Electrical installations	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.

Property, plant and equipment consist of the following:

(₹crore)

	Freehold land	Buildings	Leasehold Improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical Installations	Furniture and fixtures	Total
Cost as at April 1, 2019	**345**	**7,429**	**2,403**	**552**	**7,687**	**39**	**2,377**	**1,935**	**1,755**	**24,522**
Additions	-	10	28	7	327	2	40	15	32	461
Transition impact of Ind AS 116 (Refer note 8)	-	-	(106)	-	(130)	-	(5)	-	(2)	(243)
Disposals	-	(1)	(112)	-	(46)	(1)	(10)	-	(8)	(178)
Translation exchange difference	-	-	3	-	(2)	-	2	-	-	3
Cost as at June 30, 2019	**345**	**7,438**	**2,216**	**559**	**7,836**	**40**	**2,404**	**1,950**	**1,777**	**24,565**
Accumulated depreciation as at April 1, 2019	-	**(2,187)**	**(1,396)**	**(172)**	**(5,906)**	**(31)**	**(1,921)**	**(1,132)**	**(1,366)**	**(14,111)**
Depreciation for the period	-	(94)	(43)	(14)	(217)	(1)	(57)	(36)	(39)	(501)
Transition impact of Ind AS 116 (Refer note 8)	-	-	60	-	129	-	4	-	1	194
Disposals	-	-	37	-	46	1	10	-	7	101
Translation exchange difference	-	-	(2)	-	2	-	(1)	-	(3)	(4)
Accumulated depreciation as at June 30, 2019	**-**	**(2,281)**	**(1,344)**	**(186)**	**(5,946)**	**(31)**	**(1,965)**	**(1,168)**	**(1,400)**	**(14,321)**
Net carrying amount as at June 30, 2019	**345**	**5,157**	**872**	**373**	**1,890**	**9**	**439**	**782**	**377**	**10,244**

(₹crore)

	Freehold land	Buildings	Leasehold Improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical Installations	Furniture and fixtures	Total
Cost as at April 1, 2018	**348**	**7,102**	**2,257**	**501**	**6,786**	**34**	**2,221**	**1,831**	**1,640**	**22,720**
Additions	(4)	335	236	56	1,120	7	200	130	150	2,230
Disposals	-	(13)	(95)	(3)	(194)	(2)	(46)	(30)	(45)	(428)
Translation exchange difference	1	5	5	(2)	(25)	-	2	4	10	-
Cost as at March 31, 2019	**345**	**7,429**	**2,403**	**552**	**7,687**	**39**	**2,377**	**1,935**	**1,755**	**24,522**
Accumulated depreciation as at April 1, 2018	-	**(1,821)**	**(1,283)**	**(122)**	**(5,292)**	**(28)**	**(1,720)**	**(1,004)**	**(1,234)**	**(12,504)**
Depreciation for the year	-	(374)	(205)	(54)	(820)	(4)	(245)	(147)	(168)	(2,017)
Disposals	-	10	94	2	194	1	46	23	43	413
Translation exchange difference	-	(2)	(2)	2	12	-	(2)	(4)	(7)	(3)
Accumulated depreciation as at March 31, 2019	-	**(2,187)**	**(1,396)**	**(172)**	**(5,906)**	**(31)**	**(1,921)**	**(1,132)**	**(1,366)**	**(14,111)**
Net carrying amount as at March 31, 2019	**345**	**5,242**	**1,007**	**380**	**1,781**	**8**	**456**	**803**	**389**	**10,411**

Net carrying amount of property, plant and equipment under finance lease arrangements are as follows:

	(₹crore)
	As at March 31, 2019
Leasehold improvements	27
Computer equipment	2
Office equipment	1
Furniture and fixtures	1
Leased assets	**31**

(b) Goodwill

Goodwill represents the cost of acquired business as established at the date of acquisition of the business in excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities less accumulated impairment losses, if any. Goodwill is tested for impairment annually or when events or circumstances indicate that the implied fair value of goodwill is less than its carrying amount.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication for impairment. If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit.

Goodwill consist of the following:

		(₹crore)
	As at June 30, 2019	**As at March 31, 2019**
Balance at the beginning of the period	1,700	1,745
Additional amount recognised from business combination	-	14
Translation exchange difference	9	(59)
Balance at the end of the period	1709	1 700

(c) Other intangible assets

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

Intangible assets are amortised on a straight line basis over the period of its economic useful life.

Intangible assets consist of acquired contract rights, rights under licensing agreement and software licences and customer-related intangibles.

Following table summarises the nature of intangibles and their estimated useful lives:

Type of asset	Useful lives
Acquired contract rights	3-12 years
Rights under licensing agreement and software licences	Lower of licence period and 2-5 years
Customer-related intangibles	3 years

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

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

Intangible assets consist of the following:

(₹crore)

	Rights under licensing agreement and software licences	Customer-related intangibles	Total
Cost as at April 1, 2019	**256**	**115**	**371**
Additions	64	-	64
Translation exchange difference	-	3	3
Cost as at June 30, 2019	**320**	**118**	**438**
Accumulated amortisation as at April 1, 2019	**(102)**	**(90)**	**(192)**
Amortisation for the year	(16)	(2)	(18)
Translation exchange difference	-	(4)	(4)
Accumulated amortisation as at June 30, 2019	**(118)**	**(96)**	**(214)**
Net carrying amount as at June 30, 2019	**202**	**22**	**224**

(₹crore)

	Rights under licensing agreement and software licences	Customer-related intangibles	Total
Cost as at April 1, 2018	**80**	**89**	**169**
Additions	178	-	178
Acquisition through a business combination	-	28	28
Translation exchange difference	(2)	(2)	(4)
Cost as at March 31, 2019	**256**	**115**	**371**
Accumulated amortisation as at April 1, 2018	**(68)**	**(89)**	**(157)**
Amortisation for the period	(35)	(4)	(39)
Translation exchange difference	1	3	4
Accumulated amortisation as at March 31, 2019	**(102)**	**(90)**	**(192)**
Net carrying amount as at March 31, 2019	**154**	**25**	**179**

Other assets

Other assets consist of the following:

Other assets - Non-current

(₹crore)

	As at June 30, 2019	As at March 31, 2019
Considered good		
Contract assets	197	190
Prepaid expenses	491	351
Prepaid rent	-	339
Contract fulfillment costs	184	174
Capital advances	54	276
Advances to related parties	2	3
Others	801	30
	1,729	**1,363**
Advances to related parties, considered good, comprise		
Voltas Limited	1	2
Tata Realty and Infrastructure Ltd*	-	-
Concorde Motors (India) Limited	1	1

*Represents values less than ₹ 0.50 crore.

Other assets - Current

	As at June 30, 2019	As at March 31, 2019
		(₹crore)
Considered good		
Contract assets	3,859	3,238
Prepaid expenses	626	614
Prepaid rent	10	50
Contract fulfillment costs	542	537
Advance to suppliers	162	139
Advance to related parties	26	2
Indirect taxes recoverable	1,024	1,170
Other advances	176	142
Others	163	136
Considered doubtful		
Advance to suppliers	3	3
Indirect taxes recoverable	2	4
Other advances	4	4
Less: Allowance on doubtful assets	(9)	(11)
	6,588	**6,028**
Advance to related parties, considered good comprise		
Tata AIG General Insurance Company Limited	1	1
The Titan Company Limited	25	1

Prepaid rent of ₹386 crore has been reclassified to right-to-use asset pursuant to transition to Ind AS 116.
Others includes advance of ₹771 crore towards acquiring right of use of leasehold land.

(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 Group includes direct material and labour cost and a proportion of manufacturing overheads.

Inventories consist of the following:

	As at June 30, 2019	As at March 31, 2019
		(₹crore)
Raw materials, sub-assemblies and components	6	9
Stores and spares	-	1
	6	**10**

(e) Other liabilities

Other liabilities consist of the following:

Other liabilities - Non-current

	As at June 30, 2019	As at March 31, 2019
		(₹crore)
Operating lease liabilities	-	413
Others	1	-
	1	**413**

Other liabilities - Current

	As at June 30, 2019	As at March 31, 2019
		(₹crore)
Advance received from customers	530	575
Indirect taxes payable and other statutory liabilities	2,880	2,526
Operating lease liabilities	18	60
Others	77	74
	3,505	**3,235**

Operating lease liability of ₹462 crore has been reclassified to retained earnings pursuant to transition to Ind AS 116.

10) **Revenue recognition**

The Group earns revenue primarily from providing IT services, consulting and business solutions. The Group 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 Group 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 Group is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.
- In respect of other fixed-price contracts, revenue is recognised using percentage-of-completion method ('POC method') of accounting with contract costs incurred determining the degree of completion of the performance obligation. The contract costs used in computing the revenues include cost of fulfilling warranty obligations.
- Revenue from the sale of distinct internally developed software and manufactured systems and third party software is recognised upfront at the point in time when the system / software is delivered to the customer. In cases where implementation and / or customisation services rendered significantly modifies or customises the software, these services and software are accounted for as a single performance obligation and revenue is 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 Group 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 Group is acting as the principal or as an agent of the customer. The Group recognises revenue in the gross amount of consideration when it is acting as a principal and at net amount of consideration when it is acting as an agent.

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

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

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

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 Group recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. The Group 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.

Revenue disaggregation by nature of services is as follows:

		(₹crore)
	Three month period ended June 30, 2019	**Three month period ended June 30, 2018**
Consultancy services	37,589	33,580
Sale of equipment and software licences	583	681
	38,172	**34,261**

Revenue disaggregation by industry vertical and geography has been included in segment information (Refer note 17).

11) **Other income**

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

Other income (net) consists of the following:

		(₹crore)
	Three month period ended June 30, 2019	**Three month period ended June 30, 2018**
Interest income	1,190	790
Dividend income	1	-
Net gain on investments carried at fair value through profit or loss	97	156
Net gain on disposal of property, plant and equipment	3	21
Net foreign exchange gains	379	244
Rent income	1	2
Other income	4	12
	1,675	**1,225**
Interest income comprise		
Interest on bank balances and bank deposits	150	46
Interest income on financial assets carried at amortised cost	168	131
Interest income on financial assets carried at fair value through OCI	478	475
Other interest (including interest on income tax refunds)	394	138
Dividend income comprises		
Dividend from mutual fund units and other investments	1	-

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

Short-term employee benefits

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

Compensated absences

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

Employee benefit expenses consist of the following:

		(₹crore)
	Three month period ended June 30, 2019	**Three month period ended June 30, 2018**
Salaries, incentives and allowances	18,777	16,776
Contributions to provident and other funds	1,451	1,252
Staff welfare expenses	581	520
	20,809	**18,548**

Employee benefit obligations consist of the following:

Employee benefit obligations - Non-current

		(₹crore)
	As at June 30, 2019	**As at March 31, 2019**
Gratuity liability	4	11
Foreign defined benefit plans	242	232
Other employee benefit obligations	87	87
	333	**330**

Employee benefit obligations - Current

		(₹crore)
	As at June 30, 2019	**As at March 31, 2019**
Compensated absences	2,543	2,330
Other employee benefit obligations	23	26
	2,566	**2,356**

13) **Cost recognition**

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

The costs of the Group are broadly categorised into employee benefit expenses, cost of equipment and software licences, depreciation and amortisation 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 is an aggregation of costs which are individually not material such as commission and brokerage, recruitment and training, entertainment, etc.

(a) Cost of equipment and software licences

Cost of equipment and software licences consist of the following:

		(₹ crore)
	Three month period ended June 30, 2019	Three month period ended June 30, 2018
Raw materials, sub-assemblies and components consumed	8	12
Equipment and software licences purchased	503	601
	511	**613**
Finished goods and work-in-progress		
Opening stock*	-	-
Less: Closing stock*	-	-
	-	-
	511	**613**

*Represents value less than ₹0.50 crore.

(b) Other expense

Other expenses consist of the following:

		(₹ crore)
	Three month period ended June 30, 2019	Three month period ended June 30, 2018
Fees to external consultants	3,194	2,539
Facility expenses	683	1,041
Travel expenses	934	818
Communication expenses	378	286
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	50	48
Other expenses	1,576	1,297
	6,815	**6,029**

14) **Finance costs**

Finance consist of the following:

		(₹ crore)
	Three month period ended June 30, 2019	Three month period ended June 30, 2018
Interest on lease liabilities	118	2
Interest on tax matters	136	11
Other interest costs	3	4
	257	**17**

15) **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, its overseas branches and its subsidiaries in India and overseas. The current tax payable by the Company and its subsidiaries 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.

The current income tax expense for overseas subsidiaries has been computed based on the tax laws applicable to each subsidiary in the respective jurisdiction in which it operates.

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 goodwill or 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 income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, to the extent it would be available for set off against future current income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

Direct tax contingencies

The Company and its subsidiaries have ongoing disputes with income tax authorities in India and in some of the jurisdictions where they operate. The disputes relate to tax treatment of certain expenses claimed as deductions, computation or eligibility of tax incentives or allowances, and characterisation of fees for services received. The Company and its subsidiaries have contingent liability of ₹1,536 crore and ₹1,504 crore as at June 30, 2019 and March 31, 2019, respectively, in respect of tax demands which are being contested by the Company and its subsidiaries based on the management evaluation and advice of tax consultants. In respect of tax contingencies of ₹318 crore and ₹ 318 crore as at June 30, 2019 and March 31, 2019, respectively, not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

16) **Earnings per share**

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

	Three month period ended June 30, 2019	Three month period ended June 30, 2018
Profit for the period attributable to Shareholders of the Company (₹crore)	8,131	7,340
Weighted average number of equity shares	375,23,84,706	382,85,75,182
Basic and diluted earnings per share (₹)	21.67	19.17
Face value per equity share (₹)	1	1

17) **Segment information**

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. The Group's chief operating decision maker is the Chief Executive Officer and Managing Director.

The Group has identified business segments ('industry vertical') as reportable segments. The business segments comprise: 1) Banking, Financial Services and Insurance, 2) Manufacturing, 3) Retail and Consumer Business, 4) Communication, Media and Technology and 5) Others such as Energy, Resources and Utilities, Life Science and Healthcare, s-Governance and Products.

Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenue of the segment or manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

The assets and liabilities of the Group are used interchangeably amongst segments. Allocation of such assets and liabilities is not practicable and any forced allocation would not result in any meaningful segregation. Hence assets and liabilities have not been identified to any of the reportable segments.

Summarised segment information for the three month periods ended June 30, 2019 and 2018 is as follows:

Three month period ended June 30, 2019 (₹crore)

	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Revenue	**14,978**	**4,041**	**6,422**	**6,236**	**6,495**	**38,172**
Segment result	**4,095**	**1,070**	**1,683**	**1,828**	**1,359**	**10,035**
Total Unallocable expenses						1,072
Operating income						**8,963**
Other income (net)						1,675
Profit before tax						**10,638**
Tax expense						2,485
Profit for the year						**8,153**

Three month period ended June 30, 2018 (₹crore)

	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Revenue	**13,464**	**3,746**	**5,906**	**5,730**	**5,415**	**34,261**
Segment result	**3,578**	**1,054**	**1,561**	**1,569**	**1,303**	**9,065**
Total Unallocable expenses						504
Operating income						**8,561**
Other income (net)						1,225
Profit before tax						**9,786**
Tax expense						2,424
Profit for the year						**7,362**

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

Information regarding geographical revenue is as follows:

Geography	**Three month period ended June 30, 2019**	**Three month period ended June 30, 2018**
		(₹crore)
Americas (1)	20,017	18,136
Europe (2)	11,473	10,091
India	2,288	1,973
Others	4,394	4,061
Total	**38,172**	**34,261**

- (1) is substantially related to operations in the United States of America.
- (2) includes revenue in the United Kingdom of ₹6,032 crore and ₹5,294 crore for the three month periods ended June 30, 2019 and 2018, respectively.

18) **Commitments and contingent liabilities**

Capital commitments

The Group has contractually committed (net of advances) ₹880 crore and ₹1,289 crore as at June 30, 2019 and March 31, 2019, respectively, for purchase of property, plant and equipment.

Contingencies

- **Direct tax matters**

  Refer note 15.

- **Indirect tax matters**

The Company and its subsidiaries have ongoing disputes with Indian tax authorities mainly relating to treatment of characterisation and classification of certain items. The Company and its subsidiaries in India have demands amounting to ₹377 crore and ₹392 crore as at June 30, 2019 and March 31, 2019,respectively, from various indirect tax authorities which are being contested by the Company and its subsidiaries based on the management evaluation and advice of tax consultants.

- **Other claims**

Claims aggregating ₹3,205 crore and ₹ 3,227 crore as at June 30, 2019 and March 31, 2019, respectively, against the Group have not been acknowledged as debts.

In October 2014, Epic Systems Corporation (referred to as Epic) filed a legal claim against the Company in the Court of Western District Madison, Wisconsin for alleged infringement of Epic's proprietary information. In April 2016, the Company received an unfavourable jury verdict awarding damages totalling ₹6,489 crore (US $ 940 million) to Epic. In September 2017, the Company received a Court order reducing the damages from ₹6,489 crore (US $ 940 million) to ₹2,899 crore (US $ 420 million) to Epic. Pursuant to US Court procedures, a Letter of Credit has been made available to Epic for ₹3,037 crore (US $ 440 million) as financial security in order to stay execution of the judgment pending post-judgment proceedings and appeal. Pursuant to reaffirmation of the court order in March 2019, the Company has filed a notice of appeal in the superior Court to fully set aside the Order. The Company has received legal advice to the effect that the order and the reduced damages awarded are not supported by evidence presented during the trial. Accordingly, an amount of ₹3,037 crore (US $ 440 million) is disclosed as contingent liability which is included in the claims not acknowledged as debts.

- **Letter of comfort**

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

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

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

20) **Related party transactions**

The Company paid an amount of ₹4,864 crore to Tata Sons Private Limited, the holding company towards final dividend as approved by the shareholders in the Annual General Meeting.

Other than above, the Group does not have any material related party transactions and outstanding balances.

21) **Subsequent event**

The Board of Directors at its meeting held on July 9, 2019 has recommended an interim dividend of ₹5 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*	**V Ramakrishnan** *CFO*
Yezdi Nagporewalla *Partner* Membership No: 049265	**N Ganapathy Subramaniam** *COO and Executive Director*	**Rajendra Moholkar** *Company Secretary*
Mumbai, July 9, 2019		