TATA CONSULTANCY SERVICES LIMITED

CONDENSED BALANCE SHEET AS AT DECEMBER 31, 2016

(₹ crores)

		Note	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
ASSETS					
Non - current assets					
(a)	Property, plant and equipment	4	9,130	9,056	7,629
(b)	Capital work-in-progress		1,514	1,640	2,741
(c)	Intangible assets	5	19	24	31
(d)	Financial assets				
	(i) Investments	6(i)	2,208	2,229	2,283
	(ii) Loans	7(i)	7	2,432	1,587
	(iii) Other financial assets	8(i)	762	1,179	1,080
(e)	Income tax asset (net)		4,405	4,230	3,956
(f)	Deferred tax assets (net)	9(i)	2,341	2,528	2,321
(g)	Other assets	10(i)	601	720	843
	Total non-currrent assets		20,987	24,038	22,471
Current assets					
(a)	Inventories	11	24	9	15
(b)	Financial assets				
	(i) Investments	6(ii)	33,827	21,930	971
	(ii) Trade receivables	12	18,729	19,058	17,392
	(iii) Unbilled revenue		3,684	2,712	2,631
	(iv) Cash and cash equivalents	13	647	4,383	461
	(v) Other balances with banks	14	525	423	16,074
	(vi) Loans	7(ii)	4,413	2,523	1,337
	(vii) Other financial assets	8(ii)	1,101	866	884
(c)	Other assets	10(ii)	1,560	1,473	1,503
	Total current assets		64,510	53,377	41,268
	TOTAL ASSETS		**85,497**	**77,415**	**63,739**
EQUITY AND LIABILITIES					
Equity					
(a)	Share capital	15	197	197	197
(b)	Other equity	16	73,856	64,816	51,357
			74,053	65,013	51,554
Liabilities					
Non-current liabilities					
(a)	Financial liabilities				
	(i) Long-term borrowings	17(i)	45	50	65
	(ii) Other financial liabilities	18(i)	233	293	411
(b)	Employee benefit obligation		57	48	56
(c)	Provisions	19(i)	9	40	94
(d)	Deferred tax liabilities (net)	9(ii)	323	366	271
(e)	Other liabilities	20(i)	330	298	281
	Total non-current liabilities		997	1,095	1,178
Current liabilities					
(a)	Financial liabilities				
	(i) Short-term borrowings	17(ii)	166	113	186
	(ii) Trade and other payables		4,472	5,373	6,854
	(iii) Other financial liabilities	18(ii)	1,306	2,083	1,001
(b)	Income received in advance		1,144	1,068	870
(c)	Current income tax liabilities (net)		884	536	350
(d)	Employee benefit obligation		1,391	1,164	982
(e)	Provisions	19(ii)	146	115	103
(f)	Other liabilities	20(ii)	938	855	661
	Total current liabilities		10,447	11,307	11,007
	TOTAL EQUITY AND LIABILITIES		**85,497**	**77,415**	**63,739**
III.	**NOTES FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS**	1-30			

As per our report attached

For ***Deloitte Haskins & Sells LLP*** *Chartered Accountants*

For and on behalf of the Board

P. R. Ramesh
Partner

N. Chandrasekaran
CEO and Managing Director

Aarthi Subramanian
Executive Director

Rajesh Gopinathan
Chief Financial Officer

Suprakash Mukhopadhyay
Company Secretary

Mumbai, January 12, 2017

TATA CONSULTANCY SERVICES LIMITED
CONDENSED STATEMENT OF PROFIT AND LOSS

(₹ crores)

		Note	For the quarter ended December 31, 2016	For the quarter ended December 31, 2015	For the nine months ended December 31, 2016	For the nine months ended December 31, 2015
I.	Revenue from operations		23,184	21,621	69,287	63,606
II.	Other income (net)	21	1,360	1,147	3,514	2,817
III.	**TOTAL INCOME**		**24,544**	**22,768**	**72,801**	**66,423**
IV.	**Expenses:**					
	(a) Employee costs	22	11,941	10,809	35,769	31,231
	(b) Other operating expenses	23	4,495	4,020	13,144	12,019
	(c) Finance costs	24	3	5	12	9
	(d) Depreciation and amortisation expense		394	365	1,176	1,075
	TOTAL EXPENSES		**16,833**	**15,199**	**50,101**	**44,334**
V.	**PROFIT BEFORE TAX (III-IV)**		7,711	7,569	22,700	22,089
VI.	**Tax expense:**					
	(a) Current tax		1,820	1,612	5,117	4,782
	(b) Deferred tax		(193)	(34)	(237)	(40)
	TOTAL TAX EXPENSE		**1,627**	**1,578**	**4,880**	**4,742**
VII.	**PROFIT FOR THE PERIOD (V-VI)**		**6,084**	**5,991**	**17,820**	**17,347**
VIII.	**OTHER COMPREHENSIVE INCOME**					
(A)	**(i) Items that will be reclassified subsequently to the statement of profit and loss:**					
	(a) Changes in fair values of investments other than equity shares carried at fair value through OCI		254	-	1,073	-
	(b) Changes in fair values of intrinsic value of cash flow hedges		115	53	90	(52)
	(c) Changes in fair values of time value of cash flow hedges		(41)	20	(22)	(15)
	(ii) Income tax on items that will be reclassified subsequently to statement of profit and loss		(98)	(10)	(381)	10
(B)	**(i) Items that will not be reclassified subsequently to the statement of profit and loss**					
	(a) Remeasurement of defined employee benefit plans		(38)	(21)	(101)	(45)
	(b) Changes in fair values of investment in equities carried at fair value through OCI		1	-	(20)	1
	(ii) Income tax on items that will not be reclassified subseqently to the statement of profit and loss		-	1	-	1
	TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES), NET OF TAXES		193	43	639	(100)
IX.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**		**6,277**	**6,034**	**18,459**	**17,247**
X.	**Earnings per equity share: - Basic and diluted (₹)**	25	30.88	30.40	90.44	88.04
	Weighted average number of equity shares (face value of ₹ 1 each)		197,04,27,941	197,04,27,941	197,04,27,941	197,04,27,941
XI.	**NOTES FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS**	1-30				

As per our report attached

For ***Deloitte Haskins & Sells LLP***
Chartered Accountants

For and on behalf of the Board

P. R. Ramesh
Partner

N. Chandrasekaran
CEO and Managing Director

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Executive Director

Rajesh Gopinathan
Chief Financial Officer

Suprakash Mukhopadhyay
Company Secretary

Mumbai, January 12, 2017

TATA CONSULTANCY SERVICES LIMITED

CONDENSED STATEMENT OF CHANGES IN EQUITY

A. EQUITY SHARE CAPITAL

(₹ crores)

Balance as of April 1, 2015	Changes in equity share capital during the period	Balance at on December 31, 2015
197	-	197

(₹ crores)

Balance as of April 1, 2016	Changes in equity share capital during the period	Balance at on December 31, 2016
197	-	197

TATA CONSULTANCY SERVICES LIMITED

CONDENSED STATEMENT OF CHANGES IN EQUITY

B. OTHER EQUITY

(₹ crores)

	Reserves and surplus						Items of other comprehensive income			
								Cash flow hedging reserve		
	Capital reserve *	Share premium	Capital redemption reserve	General reserve	Special Economic Zone re-investment reserve	Retained earnings	Investment revaluation reserve	Intrinsic value	Time value	Total Equity
Balance as at April 1, 2015	-	1,919	100	6,830	-	42,375	3	131	(1)	**51,357**
Profit for the year	-	-	-	-	-	17,347	-	-	-	17,347
Other comprehensive income	-	-	-	-	-	(45)	1	(44)	(13)	(101)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**17,302**	**1**	**(44)**	**(13)**	**17,246**
Dividend (including tax on dividend)	-	-	-	-	-	(8,267)	-	-	-	(8,267)
Realised gain on equity shares carried at fair value through OCI						4	(4)			-
Balance as at December 31, 2015	**-**	**1,919**	**100**	**6,830**	**-**	**51,414**	**(0)**	**87**	**(14)**	**60,336**
Balance as at April 1, 2016	-	1,919	100	9,118	-	53,576	54	68	(19)	64,816
Profit for the year	-	-	-	-	-	17,820	-	-	-	17,820
Other comprehensive income	-	-	-	-	-	(101)	682	78	(18)	641
Total comprehensive income	-	-	-	-	-	17,719	682	78	(18)	18,461
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	279	(279)	-	-	-	-
Transfer from Special Economic Zone re-investment reserve on utilisation	-	-	-	-	(279)	279	-	-	-	-
Dividend (including tax on dividend)	-	-	-	-	-	(9,421)	-	-	-	(9,421)
Realised gain on equity shares carried at fair value through OCI	-	-	-	-	-	(20)	20	-	-	-
Balance as at December 31, 2016	**-**	**1,919**	**100**	**9,118**	**-**	**61,854**	**756**	**146**	**(37)**	**73,856**

* represents values less than ₹ 1 crore.

NOTES FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS **1-30**

For ***Deloitte Haskins & Sells LLP***
Chartered Accountants

For and on behalf of the Board

P. R. Ramesh
Partner

N. Chandrasekaran
CEO and Managing Director

Aarthi Subramanian
Executive Director

Rajesh Gopinathan
Chief Financial Officer

Suprakash Mukhopadhyay
Company Secretary

Mumbai, January 12, 2017

TATA CONSULTANCY SERVICES LIMITED

STATEMENT OF CONDENSED CASH FLOWS

(₹ crores)

		For the nine months ended December 31, 2016	For the nine months ended December 31, 2015
I	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	16,181	13,293
II	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Purchase of property, plant and equipment	(1,236)	(1,317)
	Proceeds from disposal of property, plant and equipment	18	3
	Purchase of investments carried at fair value through profit and loss	(77,235)	(55,550)
	Purchase of investments carried at fair value through OCI	(805)	-
	Proceeds from disposal / redemption of investments carried at fair value through profit and loss	65,910	48,884
	Proceeds from disposal / redemption of investments carried at fair value through OCI	344	4
	Proceeds from disposal / redemption of investments carried at cost	-	110
	Proceeds from disposal / redemption of investments carried at amortised cost	500	-
	Loans repaid by subsidiaries	-	6
	Inter-corporate deposits placed	(2,125)	-
	Proceeds from inter-corporate deposits	2,127	863
	Proceeds from earmarked deposits with banks	400	49
	Proceeds from bank deposits	-	1,104
	Dividend received from subsidiaries (including exchange gain)	394	692
	Dividend received from other investments	-	9
	Interest received	1,222	280
	Net cash used in investing activities	**(10,486)**	**(4,863)**
III	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Repayment of finance lease obligations	(12)	(15)
	Short term borrowings (net)	53	(149)
	Dividend paid (including dividend tax)	(9,421)	(8,267)
	Interest paid	(12)	(9)
	Net cash used in financing activities	**(9,392)**	**(8,440)**
	Net increase / (decrease) in cash and cash equivalents	(3,698)	(10)
	Cash and cash equivalents at the beginning of the period	4,383	461
	Exchange difference on translation of foreign currency cash and cash equivalents	(39)	31
	Cash and cash equivalents at the end of the period	647	482
IV	**NOTES FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS**	**1-30**	

As per our report attached

*For **Deloitte Haskins & Sells LLP*** *For and on behalf of the Board*

Chartered Accountants

P. R. Ramesh
Partner

N. Chandrasekaran
CEO and Managing Director

Aarthi Subramanian
Executive Director

Rajesh Gopinathan
Chief Financial Officer

Suprakash Mukhopadhyay
Company Secretary

Mumbai, January 12, 2017

1) CORPORATE INFORMATION

Tata Consultancy Services Limited (referred to as "TCS Limited" or "the Company") provides consulting-led integrated portfolio of information technology (IT) and IT-enabled services delivered through a network of delivery centers around the globe. The Company's full services portfolio consists of IT and Assurance Services, Business Intelligence and Performance Management, Business Process Services, Consulting, Digital enterprise services, Eco-sustainability Services, Engineering and Industrial Services, Enterprise Security and Risk Management, Enterprise Solutions, iON-Small and Medium Businesses, IT Infrastructure Services and Platform Solutions.

The Company is a public limited company incorporated and domiciled in India. The address of its corporate office is TCS House, Raveline Street, Fort, Mumbai - 400001. As of December 31, 2016, Tata Sons Limited, the holding company owned 73.26 % of the Company's equity share capital.

The condensed financial statements for the period ended December 31, 2016 were approved by the Board of Directors and authorise for issue on January 12, 2017.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. Previous period numbers in the financial statements have been restated to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standard, the Company has presented a reconciliation from the presentation of financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of Shareholders' equity as at March 31, 2016, December 31, 2015 and April 1, 2015 and of the comprehensive net income for the quarter ended and nine months ended December 31, 2015.

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013.

b) Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

CMC Limited has been amalgamated with the Company with effect from April 1, 2015 in terms of the scheme of amalgamation sanctioned by the High Court of Judicature at Bombay vide its Order dated August 14, 2015 and the High Court of Judicature at Hyderabad vide its Order dated July 20, 2015. All assets and liabilities, income and expense have been included retrospectively in the financial statements of The Company prepared under Ind AS in accordance with Ind AS 103 Business Combinations as the amalgamated companies are entities under common control. The difference between the amounts recorded as investments of the Company and the amount of share capital of CMC Limited has been adjusted in the General reserve.

c) Use of estimates and judgements

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

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

Key source of estimation of uncertainty at the date of the financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment of investments, useful lives of property, plant and equipment, valuation of deferred tax assets, provisions and contingent liabilities.

Impairment of investments

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

Useful lives of property, plant and equipment

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

Valuation of deferred tax assets

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

Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event and it is probable than an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits and compensated absences) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements.

d) Revenue recognition

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

The Company recognises revenue as follows:

Revenue from bundled contracts that involve supplying computer equipment, licensing software and providing services is allocated separately for each element based on their fair values.

Revenue from contracts priced on a time and material basis is recognised as services are rendered and as related costs are incurred.

Revenue from software development contracts, which are generally time bound fixed price contracts, is recognised over the life of the contract using the percentage-of-completion method, with contract costs determining the degree of completion. Losses on such contracts are recognised when probable. Revenue in excess of billings is recognised as unbilled revenue in the statement of financial position; to the extent billings are in excess of revenue recognised, the excess is reported as unearned and deferred revenue in the statement of financial position.

Revenue from Business Process Services contracts priced on the basis of time and material or unit of delivery is recognised as services are rendered or the related obligation is performed.

Revenue from the sale of internally developed and manufactured systems and third party products which do not require significant modification is recognised upon delivery, which is when the absolute right to use passes to the customer and the Company does not have any material remaining service obligations.

Revenue from maintenance contracts is recognised on a pro-rata basis over the period of the contract.

Revenue is recognised only when evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability of the resulting receivables is reasonably assured.

Revenue is reported net of discounts, indirect and service taxes.

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

e) Leases

Finance lease

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

Operating lease

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

f) Cost recognition

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

The costs of the company are broadly categorised in employee benefit expenses, depreciation and amortisation and other operating expenses. Employee benefit expenses include employee compensation, allowances paid, contribution to various funds and staff welfare expenses. Other operating expenses majorly include fees to external consultants, cost running its facilities, travel expenses, cost of equipment and software licenses for reselling, communication costs allowances for delinquent receivables 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.

g) Foreign currency

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

Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and exchange gains and losses arising on settlement and restatement are recognised in the statement of profit and loss.

h) 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 tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current income tax expense includes income taxes payable by the Company and its branches in India and overseas. The current tax payable by the Company in India is Indian income tax payable for their worldwide income after taking credit for tax relief available for export operations in Special Economic Zones (SEZs).

Current income tax payable by overseas branches of the Company is computed in accordance with the tax laws applicable in the jurisdiction in which the respective branch operates. The taxes paid are generally available for set off against the Indian income tax liability of the Company's worldwide income.

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intends to settle the asset and liability on a net basis.

Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of 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 asset are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

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

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

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

i) Financial instruments

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

Cash and cash equivalents

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

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets 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 and selling financial assets 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.

The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

Investment in subsidiaries

Investment in subsidiaries are measured at cost as per Ind AS 27 - Separate Financial Statements.

Financial liabilities

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

Equity instruments

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

Hedge accounting

The Company designates certain foreign exchange forward, option and future contracts as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

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

The hedge instruments are designated and documented as hedges at the inception of the contract. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. The ineffective portion of designated hedges are recognised immediately in the statement of profit and loss.

The effective portion of change in the fair value of the designated hedging instrument is recognised in the other comprehensive income and accumulated under the heading cash flow hedge reserve.

The Company separates the intrinsic value and time value of an option and designates as hedging instruments only the change in intrinsic value of the option. The change in fair value of the time value and intrinsic value of an option is recognised in the statement of other comprehensive income and accounted as a separate component of equity. Such amounts are reclassified into the statement of profit and loss when the related hedged items affect profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity till that time remains and is recognised in profit or loss when the forecasted transaction ultimately affects the profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss accumulated in equity is transferred to the statement of profit and loss.

j) Property, plant and equipment

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

Property, plant and equipment exclude computer equipment and other assets individually costing ₹ 50,000 or less which are not capitalised except when they are part of a larger capital investment programme.

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

The estimated useful lives are as mentioned below:

Type of asset	Method	Useful lives
Buildings, including leasehold buildings	Straight line	Lower of lease period and 20 years
Leasehold improvements	Straight line	Lease period
Plant and equipment	Straight line	10 years
Computer equipment	Straight line	4 years
Vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Electrical installations	Straight line	10 years
Furniture and fixtures	Straight line	5 years

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

k) Intangible assets

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

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

l) Impairment

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

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

(ii) Non-financial assets

Tangible and intangible assets

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

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

m) Employee benefits

(i) Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the other comprehensive income for the period in which they occur. Past service cost both vested and unvested is recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits.

The retirement benefit obligations recognised in the balance sheet represents the present value of the defined benefit obligations reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

(ii) Defined contribution plans

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

(iii) Compensated absences

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

n) Inventories

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

o) Earnings per share

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

3) EXPLANATION OF TRANSITION TO IND AS

The transition as at April 1, 2015 to Ind AS was carried out from Previous GAAP. The exemptions and exceptions applied by the Company in accordance with Ind AS 101 First–time Adoption of Indian Accounting Standards, the reconciliations of equity and total comprehensive income in accordance with Previous GAAP to Ind AS are explained below.

Exemptions from retrospective application:

The Company has applied the following exemptions:

(a) Investments in subsidiaries, joint ventures and associates

The Company has elected to adopt the carrying value under previous GAAP as on the date of transition i.e. April 1, 2015 in its separate financial statements.

(b) Business combinations

The Company has elected to apply Ind AS 103 Business Combinations retrospectively to past business combinations from April 1, 2013.

Reconciliations between Previous GAAP and Ind AS

(i) Equity reconciliation

(₹ crores)

	Notes	As at March 31, 2016	As at December 31, 2015	As at April 1, 2015
As reported under Previous GAAP		58,867	59,644	45,416
Adjusted effect of CMC Merger		-	-	810
Adjusted equity under Previous GAAP		**58,867**	**59,644**	**46,226**
Dividend (including dividend tax)	a	6,403	1,212	5,724
Depreciation	b	(440)	(463)	(537)
Change in fair valuation of investments	c	83	14	9
Tax adjustments	d	101	127	133
Others		(1)	(1)	(1)
Equity under Ind AS		**65,013**	**60,533**	**51,554**

(ii) Comprehensive income reconciliation

(₹ crores)

	Notes	For the quarter ended December 31, 2015	For the nine months ended December 31, 2015
Net income under Previous GAAP		5,957	17,230
Employee benefits	e	21	45
Depreciation	b	23	74
Change in fair valuation of investments	c	3	11
Tax adjustments	d	(6)	(18)
Others		(7)	5
Net income under Ind AS		**5,991**	**17,347**
Other comprehensive income		43	(100)
Comprehensive income under Ind AS		**6,034**	**17,247**

Notes to reconciliations between Previous GAAP and Ind AS

(a) **Dividend (including dividend tax)**

Under Ind AS, dividend to holders of equity instruments is recognised as a liability in the period in which the obligation to pay is established. Under Previous GAAP, dividend payable is recorded as a liability in the period to which it relates. This has resulted in an increase in equity by ₹ 6,403 crores, ₹ 1,212 crores and and ₹ 5,724 crores (including dividend declared by CMC Limited) as at March 31, 2016, December 31, 2015 and April 1, 2015 respectively.

(b) **Depreciation**

In April 2014, the Company revised its method of depreciation from written down value to straight-line basis. This change in method was retrospectively adjusted in accordance with previous GAAP. Under Ind AS, the Company has elected to apply Ind AS 16 Property, plant and equipment from the date of acquisition of property, plant and equipment and in accordance with Ind AS 8 Accounting policies, change in accounting estimates and errors, the change in method has been prospectively applied. This has resulted in a decline in equity under Ind AS by ₹ 440 crores, ₹ 463 crores and ₹ 537 crores as at March 31 2016, December 31, 2015 as at April 1, 2015 respectively, and increase in net income by ₹ 23 crores and ₹ 74 crores for the quarter ended and for the nine months ended December 31, 2015 respectively.

(c) **Fair valuation of investments**

Under previous GAAP, current investments were measured at lower of cost or fair value and long term investments were measured at cost less diminution in value which is other than temporary, under Ind AS Financial assets other than amortised cost are subsequently measured at fair value.

The Company holds investment in government securities with the objective of both collecting contractual cash flows which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and selling financial assets. The Company has also made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading. This has resulted in increase in investment revaluation reserve by ₹ 82 crores, decrease in investment revaluation reserve by ₹ 2 crores and increase in investment revaluation reserve by ₹ 4 crores as at March 31, 2016, December 30, 2015 and April 1, 2015 respectively, and increase in other comprehensive income by ₹ * crores and ₹ 1 crore for the quarter ended and nine months ended December 31, 2015.

Investment in mutual funds have been classified as fair value through statement of profit and loss and changes in fair value are recognised in statement of profit or loss. This has resulted in increase in retained earnings of ₹ 1 crore, ₹ 16 crores and ₹ 5 crores as at March 31, 2016, December 31, 2015 and April 1, 2015 respectively, increase in net comprehensive income by ₹ 3 crores for the quarter ended December 31, 2015 and by ₹ 10 crores for the nine months ended December 31, 2015.

(d) **Tax adjustments**

Tax adjustments include deferred tax impact on account of differences between Previous GAAP and Ind AS. These adjustments have resulted in an increase in equity under Ind AS by ₹ 101 crores, ₹ 127 crores and ₹ 133 crores as at March 31, 2016, December 31, 2015 and April 1, 2015 respectively and decrease in net income by ₹ 6 crores and ₹ 18 crores for the quarter ended and for the nine months ended December 31, 2015 respectively.

(e) **Employee benefits**

Under previous GAAP, actuarial gains and losses were recognised in the statement of profit and loss. Under Ind AS, the actuarial gains and losses form part of re-measurement of net defined benefit liability / asset which is recognised in other comprehensive income in the respective periods. This difference has resulted in increase in net income of ₹ 21 crores and ₹ 45 crores for the quarter ended and for the nine months ended December 31, 2015. However, the same does not result in difference in equity or total comprehensive income.

* represents values less than ₹ 1 crore

TATA CONSULTANCY SERVICES LIMITED

NOTES FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(₹ crores)

Description	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
Cost as at April 1, 2016	327	6,044	1,288	320	4,649	31	1,840	1,501	1,122	17,122
Additions	-	475	57	48	469	2	70	74	63	1,258
Deletions	-	(3)	(9)	-	(82)	(1)	(9)	(4)	(14)	(122)
Cost as at December 31, 2016	**327**	**6,516**	**1,336**	**368**	**5,036**	**32**	**1,901**	**1,571**	**1,171**	**18,258**
Accumulated depreciation as at April 1, 2016	-	(1,119)	(753)	(38)	(3,509)	(19)	(1,191)	(643)	(794)	(8,066)
Depreciation for the period	-	(245)	(88)	(26)	(459)	(4)	(166)	(105)	(78)	(1,171)
Deletions	-	3	9	-	71	1	8	3	14	109
Accumulated depreciation as at December 31, 2016	**-**	**(1,361)**	**(832)**	**(64)**	**(3,897)**	**(22)**	**(1,349)**	**(745)**	**(858)**	**(9,128)**
Net carrying amount as at December 31, 2016	**327**	**5,155**	**504**	**304**	**1,139**	**10**	**552**	**826**	**313**	**9,130**

(₹ crores)

Description	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
Cost as at April 1, 2015	327	4,762	1,187	127	4,204	27	1,624	1,183	976	14,417
Additions	-	1,283	115	193	567	8	227	326	161	2,880
Deletions	-	(1)	(14)	-	(122)	(4)	(11)	(8)	(15)	(175)
Cost as at March 31, 2016	**327**	**6,044**	**1,288**	**320**	**4,649**	**31**	**1,840**	**1,501**	**1,122**	**17,122**
Accumulated depreciation as at April 1, 2015	-	(841)	(634)	(16)	(3,053)	(19)	(977)	(524)	(724)	(6,788)
Depreciation for the year	-	(279)	(133)	(22)	(578)	(4)	(225)	(126)	(85)	(1,452)
Deletions	-	1	14	-	122	4	11	7	15	174
Accumulated depreciation as at March 31, 2016	**-**	**(1,119)**	**(753)**	**(38)**	**(3,509)**	**(19)**	**(1,191)**	**(643)**	**(794)**	**(8,066)**
Net carrying amount as at March 31, 2016	**327**	**4,925**	**535**	**282**	**1,140**	**12**	**649**	**858**	**328**	**9,056**

4) PROPERTY, PLANT AND EQUIPMENT (contd)

(i) Buildings include ₹ 3 crores (March 31, 2016: ₹ 3 crores) being value of investment in shares of Co-operative Housing Societies and Limited Companies.

(ii) Net book value of computer equipment of ₹ 1 crore (March 31, 2016: ₹ 6 crores) and leasehold improvements of ₹ 39 crores (March 31, 2016: ₹ 46 crores) are under finance lease.

(iii) Legal formalities relating to conveyance of freehold buildings having net book value ₹ * crores (March 31, 2016: ₹ * crores) are pending completion.

* represents values less than ₹ 1 crore.

5) INTANGIBLE ASSETS

Intangible assets consist of the following:

(₹ crores)

Description	Rights under licensing agreement and software licenses
Cost as at April 1, 2016	129
Additions	-
Deletions	-
Cost as at December 31, 2016	**129**
Accumulated amortisation as at April 1, 2016	(105)
Amortisation for the period	(5)
Deletions	-
Accumulated amortisation as at December 31, 2016	**(110)**
Net carrying amount as at December 31, 2016	**19**

(₹ crores)

Description	Rights under licensing agreement and software licenses
Cost as at April 1, 2015	129
Additions	-
Deletions	-
Cost as at March 31, 2016	**129**
Accumulated amortisation as at April 1, 2015	(98)
Amortisation for the year	(7)
Deletions	-
Accumulated amortisation as at March 31, 2016	**(105)**
Net carrying amount as at March 31, 2016	**24**

6) INVESTMENTS

Investments consist of the following:

(i) Investments - Non-current

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
			(₹ crores)
(A) Investments carried at cost			
(a) Subsidiary companies			
Fully paid equity shares (unquoted)	2,124	2,124	2,225
(B) Investments carried at fair value through profit and loss			
Mutual and other funds (unquoted)	62	58	7
(C) Investments carried at fair value through OCI			
Fully paid equity shares (quoted)	-	-	4
Fully paid equity shares (unquoted)	22	47	47
	2,208	2,229	2,283

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

(ii) Investments - Current

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
			(₹ crores)
(A) Investment carried at amortised cost			
Certificate of deposits (unquoted)	-	491	-
(B) Investment carried at fair value through profit and loss			
Mutual and other funds (unquoted)	12,839	1,185	971
(C) Investment carried at fair value through OCI			
Government securities (quoted)	20,988	20,254	-
	33,827	21,930	971

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

6) INVESTMENTS (contd)

Details of investment in subsidiaries is as follows:

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
			(₹ crores)
Fully paid equity shares (unquoted)			
TCS Iberoamerica SA	461	461	461
APTOnline Limited	-	-	-
Tata Consultancy Services Belgium S.A.	1	1	1
Tata Consultancy Services Netherlands BV	403	403	403
Tata Consultancy Services Sverige AB	19	19	19
Tata Consultancy Services Deutschland GmbH	2	2	2
Tata America International Corporation	453	453	453
Tata Consultancy Services Asia Pacific Pte Ltd.	19	19	19
TCS FNS Pty Limited	212	212	212
Diligenta Limited	429	429	530
Tata Consultancy Services Canada Inc.	31	31	31
C-Edge Technologies Limited	5	5	5
MP Online Limited	1	1	1
Tata Consultancy Services (Africa) (PTY) Ltd.	66	66	66
MahaOnline Limited	2	2	2
Tata Consultancy Services Qatar S.S.C.	2	2	2
CMC Americas Inc.	8	8	8
TCS e-Serve International Limited	10	10	10
TCS Foundation	-	-	-

7) LOANS

Loans (unsecured) consist of the following:

(i) **Long-term loans**

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
			(₹ crores)
Considered good			
(i) Loans and advances to employees	7	7	9
(ii) Loans to related parties	-	-	6
(iii) Inter-corporate deposits	-	2,425	1,572
	7	2,432	1,587
Loans to related parties, considered good, comprise:			
TCS FNS Pty Limited	-	-	6

7) LOANS (contd)

(ii) Short-term loans

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Considered good			
(i) Loans and advances to employees	418	951	274
(ii) Inter-corporate deposits	3,995	1,572	1,063
(b) Considered doubtful			
(i) Loans and advances to employees	62	55	50
Less: Allowance for loans and advances to employees	(62)	(55)	(50)
	4,413	2,523	1,337

8) OTHER FINANCIAL ASSETS

Other financial assets consist of the following:

(i) Non-current financial assets

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Interest receivable	-	73	24
(b) Long-term bank deposits	-	415	500
(c) Security deposits	762	606	556
(d) Earmarked balances with banks	-	85	-
	762	1,179	1,080

(ii) Current financial assets

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Interest receivable	717	187	340
(b) Fair value of foreign exchange forward and currency option contracts	268	537	365
(c) Security deposits	82	118	110
(d) Others	34	24	69
	1,101	866	884

9) DEFERRED TAX BALANCES

Deferred tax balances consist of the following:

(₹ crores)

		As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(i)	**Deferred tax assets (net)**			
(a)	Depreciation and amortisation	(9)	(2)	(11)
(b)	Employee benefits	277	238	198
(c)	Operating lease liabilities	82	75	67
(d)	Receivables, financial assets at amortised cost	192	182	142
(e)	MAT credit entitlement	2,033	1,960	1,871
(f)	Unrealised gain on securities carried at fair value through statement of profit and loss / OCI	(401)	(28)	(3)
(g)	Others	167	103	57
		2,341	2,528	2,321
(ii)	**Deferred tax liabilities (net)**			
(a)	Foreign branch profit tax	298	346	256
(b)	Depreciation and amortisation	25	20	15
		323	366	271

10) OTHER ASSETS

Other assets consist of the following:

(i) Other non-current assets

(₹ crores)

		As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
	Considered good			
(a)	Capital advances	152	148	167
(b)	Advances to related parties	7	-	-
(c)	Prepaid expenses	192	311	362
(d)	Prepaid rent	231	235	241
(e)	Indirect taxes recoverable	4	4	49
(f)	Others	15	22	24
		601	720	843
	Advances to related parties, considered good, comprise:			
	Voltas Limited	7	-	-

10) OTHER ASSETS (contd)

(ii) Other current assets

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(i) Considered good			
(a) Prepaid expense	1,292	993	1,151
(b) Advance to suppliers	96	211	67
(c) Advance to related parties	1	8	12
(d) Indirect taxes recoverable	149	139	165
(e) Other advances	19	77	47
(f) Other current assets	3	45	61
(ii) Considered doubtful			
(a) Advance to suppliers	3	3	5
(b) Indirect taxes recoverable	2	2	2
(c) Other advances	3	3	2
Less : Allowance for doubtful advances	(8)	(8)	(9)
	1,560	1,473	1,503
Advances to related parties, considered good, comprise:			
TCS FNS Pty Limited	-	3	5
Tata Consultancy Services (Africa) (Pty) Limited	-	-	1
TCS e-Serve International Limited	-	1	-
C-Edge Technologies Limited	-	3	6
Taj Air Limited	-	1	-
The Titan Company Limited	1	-	-

11) INVENTORIES

Inventories consist of the following:

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Raw materials, sub-assemblies and components	20	9	10
(b) Finished goods and work-in-progress	1	-	3
(c) Goods-in-transit (raw materials)	3	-	2
	24	9	15

12) TRADE RECEIVABLES

Trade receivables (Unsecured) consist of the following:

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Considered good	18,729	19,058	17,392
(b) Considered doubtful	548	495	382
	19,277	19,553	17,774
Less: Provision for doubtful receivables	(548)	(495)	(382)
	18,729	19,058	17,392

13) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(i) Balances with banks			
In current accounts	556	513	322
In deposit accounts	61	2,648	86
(ii) Cheques on hand	8	24	51
(iii) Cash on hand	1	1	1
(iv) Remittances in transit	21	1,197	1
	647	4,383	461

14) OTHER BALANCES WITH BANKS

Other bank balances consist of the following:

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(i) Earmarked balances with banks	110	423	71
(ii) Short-term bank deposits	415	-	16,003
	525	423	16,074

TATA CONSULTANCY SERVICES LIMITED

NOTES FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

15) SHARE CAPITAL

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

			(₹ crores)
	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
Authorised			
(i) 460,05,00,000 equity shares of ₹ 1 each (March 31, 2016 : 460,05,00,000 equity shares of ₹ 1 each) (April 1, 2015 : 420,05,00,000 equity shares of ₹ 1 each)	460	460	420
(ii) 105,02,50,000 preference shares of ₹ 1 each (March 31, 2016 : 105,02,50,000 preference shares of ₹ 1 each) (April 1, 2015 : 105,02,50,000 preference shares of ₹ 1 each)	105	105	105
	565	565	525
Issued, Subscribed and Fully paid up			
(i) 197,04,27,941 equity shares of ₹ 1 each (March 31, 2016 : 197,04,27,941 equity shares of ₹ 1 each) (April 1, 2015 : 195,87,27,979 equity shares of ₹ 1 each)	197	197	196
(ii) Potential equity shares to be issued to non-controlling shareholders of CMC Limited	-	-	1
	197	197	197

The Authorised equity share capital was increased to 460,05,00,000 equity shares of ₹ 1 each pursuant to the amalgamation of its subsidiaries, WTI Advanced Technology Limited vide the Order dated March 27, 2015 of the High Court of Judicature at Bombay and CMC Limited , vide the Order dated August 14, 2015 of the High Court of Judicature at Bombay and vide the Order dated July 20, 2015 of the High Court of Judicature at Hyderabad.

16) OTHER EQUITY

Other equity consist of the following:

(₹ crores)

	As at December 31, 2016	As at March 31, 2016
(a) Capital reserve	-	-
(b) Share premium	1,919	1,919
(c) Capital redemption reserve	100	100
(d) General reserve		
(i) Opening balance	9,118	6,830
(ii) Transferred from retained earnings	-	2,288
	9,118	9,118
(e) Special Economic Zone re-investment reserve		
(i) Opening balance	-	-
(ii) Add: Transfer from retained earnings	279	-
(iii) Less: Transfer to retained earnings on utilisation	(279)	-
	-	-
(f) Retained earnings		
(i) Opening balance	53,576	42,375
(ii) Add: Realised gain on equity shares carried at fair value through OCI	(20)	(4)
(iii) Add: Transfer from Special Economic Zone re-investment reserve on utilisation	279	-
(iv) Add: Remeasurement of defined employee benefit plans transferred to statement of profit and loss	(101)	(99)
(v) Add: Profit for the period	17,820	23,071
	71,554	65,343
Less : Appropriations		
(a) Dividend on equity shares	7,882	7,993
(b) Tax on dividend	1,539	1,486
(c) Transferred to Special Economic Zone re-investment reserve	279	-
(c) Transferred to General reserve	-	2,288
	61,854	53,576
(g) Investment revaluation reserve		
(i) Opening balance	54	3
(ii) Realised gain on equity shares carried at fair value through OCI	20	-
(iii) Addition during the period (net)	682	51
	756	54
(h) Cash flow hedging reserve		
(i) Opening balance	49	130
(ii) Deduction during the period (net)	60	(81)
	109	49
	73,856	64,816

17) BORROWINGS

Borrowings consist of the following:

(i) Long-term borrowings

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Secured loans			
Long-term maturities of obligations under finance lease	45	50	64
(b) Unsecured loans			
Borrowings from entity other than banks	-	-	1
	45	50	65

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

(ii) Short-term borrowings

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Secured loans			
Overdraft from banks	166	112	-
(b) Unsecured loans			
Overdraft from banks	-	1	186
	166	113	186

Secured overdraft from banks are secured against trade receivables.

18) OTHER FINANCIAL LIABILITIES

Other financial liabilities consist of the following:

(i) Other non-current financial liabilities

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Capital creditors	5	62	68
(b) Others	228	231	343
	233	293	411

Other payables include advance taxes paid of ₹ 227 crores (March 31, 2016: ₹ 230 crores) (April 1, 2015: ₹ 333 crores) by the seller of TCS e-serve Limited which, on refund by the tax authorities, is payable to the seller.

18) OTHER FINANCIAL LIABILITIES (contd)

(ii) Other current financial liabilities

(₹ crores)

		As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a)	Current maturities of obligations under finance lease	8	15	22
(b)	Unclaimed dividends	25	21	20
(c)	Fair value of foreign exchange forward and currency option contracts	62	152	20
(d)	Capital creditors	270	306	305
(e)	Liabilities for cost related to customer contracts	893	736	616
(f)	Liabilities for purchase of government securities	-	805	-
(g)	Others	48	48	18
		1,306	2,083	1,001

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

19) PROVISIONS

Provisions consist of the following:

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(i) **Non-current**			
Provision for foreseeable loss on a long-term contract	9	40	94
	9	40	94
(ii) **Current**			
Provision for foreseeable loss on a long-term contract	146	115	103
	146	115	103

20) OTHER LIABILITIES

Other liabilities consist of the following:

(i) Non-current liabilities

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Operating lease liabilities	330	298	271
(b) Others	-	-	10
	330	298	281

(ii) Current liabilities

(₹ crores)

	As at December 31, 2016	As at March 31, 2016	As at April 1, 2015
(a) Advance received from customers	74	39	31
(b) Indirect tax payable and other statutory liabilities	786	743	579
(c) Operating lease liabilities	66	67	46
(d) Others	12	6	5
	938	855	661

21) OTHER INCOME (NET)

Other income (net) consist of the following:

(₹ crores)

	For the quarter ended December 31, 2016	For the quarter ended December 31, 2015	For the nine months ended December 31, 2016	For the nine months ended December 31, 2015
(a) Interest income	619	405	1,716	1,238
(b) Dividend income	250	454	394	701
(c) Gain on sale of investments carried at fair value through statement of profit and loss	159	105	322	230
(d) Unrealised gains on investments carried at fair value through statement of profit and loss	7	4	10	11
(e) Gain on disposal of property, plant and equipment	1	-	5	2
(f) Net foreign exchange gains	313	161	1,027	564
(g) Rent income	2	1	4	2
(h) Miscellaneous income	9	17	36	69
	1,360	1,147	3,514	2,817
Interest income comprise:				
Interest on bank deposits	14	361	79	1,085
Interest income on financial assets carried at amortised cost	91	43	309	147
Interest income on financial assets carried at fair value through OCI	399	-	1,196	-
Other interest (including interest on income tax refunds)	115	1	132	6
Dividend income comprise:				
Dividends from subsidiaries (non-current investments)	250	453	394	692
Dividends from mutual funds (current investments)	-	1	-	9
Net foreign exchange gains include:				
Gain/(loss) on foreign exchange forward and currency option contracts transferred from Cash Flow Hedging Reserve (Refer note 26(b))	129	(58)	342	(84)

22) EMPLOYEE COSTS

Employee costs consist of the following:

(₹ crores)

	For the quarter ended December 31, 2016	For the quarter ended December 31, 2015	For the nine months ended December 31, 2016	For the nine months ended December 31, 2015
(a) Salaries, incentives and allowances	10,923	9,858	32,670	28,501
(b) Contributions to provident and other funds	725	669	2,208	1,983
(c) Staff welfare expenses	293	282	891	747
	11,941	10,809	35,769	31,231

23) OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(₹ crores)

		For the quarter ended December 31, 2016	For the quarter ended December 31, 2015	For the nine months ended December 31, 2016	For the nine months ended December 31, 2015
(a)	Fees to external consultants	1,681	1,530	5,064	4,341
(b)	Facility running expenses	702	634	2,090	1,882
(c)	Cost of equipment and software licenses	438	414	1,160	1,459
(d)	Travel expenses	518	486	1,637	1,451
(e)	Communication expenses	175	181	533	522
(f)	Bad debts and advances written off , provision for trade receivable and advances (net)	31	24	81	84
(g)	Other expenses	950	751	2,579	2,280
		4,495	4,020	13,144	12,019
	Cost of equipment and software licenses include:				
	Material costs				
	(a) Raw materials, sub-assemblies and components consumed	36	12	62	29
	(b) Opening stock:				
	Finished goods and work-in-progress	-	1	-	1
	(c) Less: Closing stock:				
	Finished goods and work-in-progress	-	-	1	-
		-	1	(1)	1
		36	13	61	30

24) FINANCE COSTS (at effective interest rate method)

Finance costs consist of the following:

(₹ crores)

	For the quarter ended December 31, 2016	For the quarter ended December 31, 2015	For the nine months ended December 31, 2016	For the nine months ended December 31, 2015
Interest expenses	3	5	12	9
	3	5	12	9

25) EARNINGS PER SHARE (EPS)

	For the quarter ended December 31, 2016	For the quarter ended December 31, 2015	For the nine months ended December 31, 2016	For the nine months ended December 31, 2015
Profit for the period (₹ crores)	6,084	5,991	17,820	17,347
Amount available for equity shareholders (₹ crores)	6,084	5,991	17,820	17,347
Weighted average number of equity shares	197,04,27,941	197,04,27,941	197,04,27,941	197,04,27,941
Earning per share basic and diluted (₹)	30.88	30.40	90.44	88.04
Face value per equity share (₹)	1	1	1	1

26) FINANCIAL INSTRUMENTS

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

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as of December 31, 2016 is as follows:

(₹ crores)

	Fair value through P&L	Fair value through OCI	Derivative instruments in hedging relationship (CFH)	Derivative instruments not in hedging relationship (NDH)	Amortised cost	Total carrying value
Assets:						
Cash and cash equivalents	-	-	-	-	647	647
Other balances with banks	-	-	-	-	110	110
Bank deposits	-	-	-	-	415	415
Trade receivables	-	-	-	-	18,729	18,729
Investments (Other than in Subsidiary)	12,901	21,010	-	-	-	33,911
Unbilled revenues	-	-	-	-	3,684	3,684
Loans	-	-	-	-	4,420	4,420
Other financial assets	-	-	174	94	1,595	1,863
Total	**12,901**	**21,010**	**174**	**94**	**29,600**	**63,779**
Liabilities:						
Trade and other payables	-	-	-	-	4,472	4,472
Borrowings	-	-	-	-	211	211
Other financial liabilities	-	-	-	62	1,477	1,539
Total	**-**	**-**	**-**	**62**	**6,160**	**6,222**

TATA CONSULTANCY SERVICES LIMITED

NOTES FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

26) FINANCIAL INSTRUMENTS (contd)

The carrying value of financial instruments by categories as of March 31, 2016 is as follows:

(₹ crores)

	Fair value through P&L	Fair value through OCI	Derivative instruments in hedging relationship (CFH)	Derivative instruments not in hedging relationship (NDH)	Amortised cost	Total carrying value
Assets:						
Cash and cash equivalents	-	-	-	-	4,383	4,383
Other balances with banks	-	-	-	-	423	423
Bank deposits	-	-	-	-	415	415
Trade receivables	-	-	-	-	19,058	19,058
Investments (Other than in Subsidiary)	1,243	20,301	-	-	491	22,035
Unbilled revenues	-	-	-	-	2,712	2,712
Loans	-	-	-	-	4,955	4,955
Other financial assets	-	-	116	421	1,093	1,630
Total	**1,243**	**20,301**	**116**	**421**	**33,530**	**55,611**
Liabilities:						
Trade and other payables	-	-	-	-	5,373	5,373
Borrowings	-	-	-	-	163	163
Other financial liabilities	-	-	15	137	2,223	2,375
Total	**-**	**-**	**15**	**137**	**7,759**	**7,911**

The carrying value of financial instruments by categories as of April 1, 2015 is as follows:

(₹ crores)

	Fair value through P&L	Fair value through OCI	Derivative instruments in hedging relationship (CFH)	Derivative instruments not in hedging relationship (NDH)	Amortised cost	Total carrying value
Assets:						
Cash and cash equivalents	-	-	-	-	461	461
Other balances with banks	-	-	-	-	71	71
Bank deposits	-	-	-	-	16,503	16,503
Trade receivables	-	-	-	-	17,392	17,392
Investments (Other than in Subsidiary)	978	51	-	-	-	1,029
Unbilled revenues	-	-	-	-	2,631	2,631
Loans	-	-	-	-	2,924	2,924
Other financial assets	-	-	186	179	1,099	1,464
Total	**978**	**51**	**186**	**179**	**41,081**	**42,475**
Liabilities:						
Trade and other payables	-	-	-	-	6,854	6,854
Borrowings	-	-	-	-	251	251
Other financial liabilities	-	-	-	20	1,392	1,412
Total	**-**	**-**	**-**	**20**	**8,497**	**8,517**

Fair value hierarchy:

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

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

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

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

(₹ crores)

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Mutual fund units	12,901	-	-	12,901
Equity Shares	-	-	22	22
Government Securities	20,988	-	-	20,988
Derivative financial assets	-	268	-	268
Total	**33,889**	**268**	**22**	**34,179**
Financial liabilities:				
Derivative financial liabilities	-	62	-	62
Total	**-**	**62**	**-**	**62**

(₹ crores)

As at March 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Mutual fund units	1,243	-	-	1,243
Equity Shares	-	-	47	47
Corporate debentures and Bonds	-	491	-	491
Government Securities	20,254	-	-	20,254
Derivative financial assets	-	537	-	537
Total	**21,497**	**1,028**	**47**	**22,572**
Financial liabilities:				
Derivative financial liabilities	-	152	-	152
Total	**-**	**152**	**-**	**152**

(₹ crores)

As at April 1, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Mutual fund units	978	-	-	978
Equity Shares	4	-	47	51
Derivative financial assets	-	365	-	365
Total	**982**	**365**	**47**	**1,394**
Financial liabilities:				
Derivative financial liabilities	-	20	-	20
Total	**-**	**20**	**-**	**20**

(b) Derivative financial instruments and hedging activity

The Company's revenue is denominated in foreign currency predominantly US Dollar, Sterling Pound and Euro. In addition to these currencies, The Company also does business in Australian Dollar, Singapore Dollar, Saudi Arabian Riyal, Danish Kroner and Brazilian Real. Given the nature of the business, a large portion of the costs are denominated in Indian Rupee. This exposes the Company to currency fluctuations.

The Company monitors and manages the financial risks relating to its operations by analysing its foreign exchange exposures by the level and extent of currency risks.

The Company use various derivative financial instruments governed by policies approved by the board of directors such as foreign exchange forward, option and future contracts to manage and mitigate its exposure to foreign exchange rates. The counterparty is generally a bank. The Company can enter into contracts for a period between one day and eight years.

The Company report quarterly to its risk management committee, an independent body that monitors foreign exchange risks and policies implemented to manage its foreign exchange exposures.

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

	December 31, 2016		
Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
U.S. Dollar	5	225	9
Sterling Pound	27	306	115
Euro	12	177	50

	March 31, 2016		
Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
U.S. Dollar	9	225	41
Sterling Pound	8	160	52
Euro	24	285	20
Australian Dollar	21	228	(12)

	April 1, 2015		
Foreign Currency	No. of Contracts	Notional amount of contracts (million)	Fair Value (₹ crores)
Sterling Pound	18	297	67
Euro	9	171	88
Australian Dollar	6	97	31

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

(₹ crores)

	Period ended December 31, 2016		Year ended March 31, 2016	
	Intrinsic Value	Time Value	Intrinsic Value	Time Value
Balance at the beginning of the period	68	(19)	131	(1)
Changes in the fair value of effective portion of cash flow hedges	616	(206)	250	(339)
Deferred tax on fair value of effective portion of cash flow hedges	(82)	28	(32)	44
(Gains) / losses transferred to the statement of profit and loss on occurrence of forecasted hedge transactions	(526)	184	(323)	318
Deferred tax on losses/(gains)transferred to the statement of profit and loss on occurrence of forecasted hedge transactions	70	(24)	42	(41)
Balance at the end of the period	146	(37)	68	(19)

Net gain on derivative instruments of ₹ 109 crores recognised in Hedging Reserve as at December 31, 2016, is expected to be transferred to the statement of profit and loss by December 31, 2017.

In addition to the above cash flow hedges, the Company has outstanding foreign exchange forwards, options and future contracts with notional amount aggregating ₹ 21,131 crores, ₹ 22,144 crores and ₹ 19,949 crores whose fair value showed a net gain of ₹ 32 crores, ₹ 284 crores and ₹ 159 crores as at December 31, 2016, March 31, 2016 and April 1, 2015 respectively. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting.

Exchange gain of ₹ 308 crores and exchange gain of ₹ 1,010 crores (December 31, 2015: Exchange gain of ₹ 224 crores and exchange gain of ₹ 49 crores) on foreign exchange forwards, options and future contracts for the quarter ended and for the nine months ended December 31, 2016 have been recognised in the statement of profit and loss.

27) SEGMENT REPORTING

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 Company's chief operating decision maker is the Chief Executive Officer and Managing Director.

The Company has identified business segments (industry practice) 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, products, etc.

The Company has reclassified Hi-Tech segments to the Communication, Media and Technology (previously reported as Telecom, Media and Entertainment) reportable segment and Travel, Transportation and Hospitality to the Retail and Consumer Business (previously reported as Retail and Consumer Packaged Goods).

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 and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Property, plant and equipment that are used interchangeably among segments are not allocated to reportable segments.

(₹ crores)

Particulars	Business Segments					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Quarter ended December 31, 2016						
Revenue	8,903	2,130	4,170	3,951	4,030	23,184
Segment result	2,589	683	1,180	1,086	1,210	6,748
Unallocable expenses						397
Operating income						6,351
Other income (net)						1,360
Profit before tax						7,711
Tax expense						1,627
Profit for the period						6,084

(₹ crores)

Particulars	Business Segments					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Quarter ended December 31, 2015						
Revenue	8,430	1,909	3,976	3,873	3,433	21,621
Segment result	2,720	643	1,121	1,143	1,165	6,792
Unallocable expenses						370
Operating income						6,422
Other income (net)						1,147
Profit before tax						7,569
Tax expense						1,578
Profit for the period						5,991

(₹ crores)

Particulars	Business Segments					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Nine months ended December 31, 2016						
Revenue	26,916	6,286	12,589	12,158	11,338	69,287
Segment result	7,925	2,051	3,602	3,505	3,291	20,374
Unallocable expenses						1,188
Operating income						19,186
Other income (net)						3,514
Profit before tax						22,700
Tax expense						4,880
Profit for the period						17,820
As at December 31, 2016						
Segment assets	6,959	2,157	3,900	4,083	5,848	22,947
Unallocable assets						62,550
Total assets						**85,497**
Segment liabilities	1,061	133	341	413	547	2,495
Unallocable liabilities						8,949
Total liabilities						**11,444**

(₹ crores)

Particulars	Business Segments					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Nine months ended December 31, 2015						
Revenue	24,737	5,446	11,698	11,322	10,403	63,606
Segment result	8,375	1,851	3,398	3,345	3,387	20,356
Unallocable expenses						1,084
Operating income						19,272
Other income (net)						2,817
Profit before tax						22,089
Tax expense						4,742
Profit for the period						17,347
As at December 31, 2015						
Segment assets	6,840	2,045	3,834	4,091	5,614	22,424
Unallocable assets						49,458
Total assets						71,882
Segment liabilities	1,023	155	327	439	362	2,306
Unallocable liabilities						9,042
Total liabilities						11,348

28) COMMITMENTS AND CONTINGENCIES

(₹ crores)

	As at December 31, 2016	As at March 31, 2016
Claims against the Company not acknowledged as debt (See (a) below)	6,564	6,873
Income tax demands (See (b) below)	8,270	7,955
Indirect tax demands (See (c) , (d) and (e) below)	252	193
Guarantees given by the Company on behalf of subsidiaries (See (h) below)	2,392	3,225

a) In October 2014, Epic Systems Corporation (referred to as Epic) filed a legal claim against the Company in the Court of Western District Madison, Wisconsin for alleged infringement of Epic's intellectual property. In April 2016, the Company received an unfavorable jury verdict awarding damages totaling ₹ 6,382 crores (US $940 million) (March 31, 2016: ₹ 6,227 crores (US $940 million)) to Epic which the trial judge has indicated his intent to reduce. On the basis of legal opinion and legal precedence, the Company expects to defend itself against the claim and believes that the claim will not sustain.

b) In respect of income tax demands of ₹ 318 crores (March 31, 2016: ₹ 318 crores), not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

c) In respect of indirect tax demands of ₹ 9 crores (March 31, 2016: ₹ 9 crores), not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

d) Interest has been computed as per demand orders.

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

f) The Company has given letter of comfort to various banks for credit and / or foreign exchange hedging facilities availed by its subsidiaries (a) Tata America International Corporation, (b) Tata Consultancy Services Switzerland Ltd., (c) Tata Consultancy Services Sverige AB, (d) Tata Consultancy Services Belgium S.A., (e) Tata Consultancy Services Deutschland GmbH, (f) Tata Consultancy Services Netherlands BV, (g) Tata Consultancy Services Asia Pacific Pte Ltd., and (h) Tata Consultancy Services Malaysia Sdn Bhd. As per the terms of letter of comfort, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiaries and provide such managerial, technical and financial assistance to ensure continued successful operations of the subsidiaries.

g) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 1,593 crores (March 31, 2016: ₹ 1,483 crores).

h) The Company has provided guarantees aggregating ₹ 2,203 crores (GBP 264 million) (March 31, 2016: ₹ 2,716 crores) (GBP 285 million) to third parties on behalf of its subsidiary Diligenta Limited. The Company does not expect any outflow of resources in respect of the above.

29) RELATED PARTY TRANSACTIONS

The Company's material related party transactions and outstanding balances are with its subsidiaries with whom the Company routinely enters into transactions in the ordinary course of business.

30) SUBSEQUENT EVENTS

The Board of Directors at its meeting held on January 12, 2017 has recommended an interim dividend of ₹ 6.50 per equity share.