**TATA CONSULTANCY SERVICES LIMITED**

CONDENSED CONSOLIDATED BALANCE SHEET

(₹ crores)

| | Note | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| **I. ASSETS** | | | | |
| **Non-current assets** | | | | |
| (a) Property, plant and equipment | 4 | 10,215 | 9,971 | 8,641 |
| (b) Capital work-in-progress | | 1,402 | 1,670 | 2,762 |
| (c) Intangible assets | 5 | 89 | 134 | 220 |
| (d) Goodwill | | 1,669 | 1,669 | 1,572 |
| (e) Financial assets | | | | |
| (i) Investments | 6(A) | 261 | 343 | 253 |
| (ii) Loans | 7(A) | 96 | 2,472 | 1,581 |
| (iii) Other financial assets | 8(A) | 915 | 1,325 | 1,234 |
| (f) Income tax asset (net) | | 4,919 | 4,465 | 4,094 |
| (g) Deferred tax assets (net) | 9 | 2,705 | 2,908 | 2,633 |
| (h) Other assets | 10(A) | 784 | 926 | 1,075 |
| **Total non-current assets** | | 23,055 | 25,883 | 24,065 |
| **Current assets** | | | | |
| (a) Inventories | 11 | 17 | 16 | 15 |
| (b) Financial assets | | | | |
| (i) Investments | 6(B) | 28,966 | 22,479 | 1,501 |
| (ii) Trade receivables | 12 | 25,061 | 24,073 | 20,440 |
| (iii) Unbilled revenue | | 4,712 | 3,992 | 3,827 |
| (iv) Cash and cash equivalents | 13 | 2,872 | 6,295 | 1,862 |
| (v) Other balances with banks | 14 | 549 | 493 | 16,696 |
| (vi) Loans | 7(B) | 4,696 | 2,743 | 1,493 |
| (vii) Other financial assets | 8(B) | 1,376 | 916 | 909 |
| (c) Income tax asset (net) | | 24 | 32 | 75 |
| (d) Other assets | 10(B) | 1,908 | 2,174 | 2,083 |
| **Total current assets** | | 70,181 | 63,213 | 48,901 |
| **TOTAL ASSETS** | | 93,236 | 89,096 | 72,966 |
| **II. EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| (a) Share capital | 15 | 197 | 197 | 197 |
| (b) Other equity | 16 | 76,190 | 70,875 | 55,856 |
| **Equity attributable to shareholders of the Company** | | 76,387 | 71,072 | 56,053 |
| Non-controlling interests | | 356 | 355 | 223 |
| **Total Equity** | | 76,743 | 71,427 | 56,276 |
| **Non-current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Long-term borrowings | 17(A) | 60 | 83 | 115 |
| (ii) Other financial liabilities | 18(A) | 470 | 493 | 662 |
| (b) Employee benefit obligation | | 265 | 237 | 203 |
| (c) Provisions | 19(A) | 19 | 40 | 94 |
| (d) Deferred tax liabilities (net) | 9 | 977 | 805 | 540 |
| (e) Other liabilities | 20(A) | 432 | 442 | 404 |
| **Total non current liabilities** | | 2,223 | 2,100 | 2,018 |
| **Current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Short-term borrowings | 17(B) | 1 | 113 | 186 |
| (ii) Trade and other payables | | 6,381 | 7,541 | 8,832 |
| (iii) Other financial liabilities | 18(B) | 1,344 | 2,364 | 1,245 |
| (b) Income received in advance | | 1,406 | 1,359 | 1,062 |
| (c) Current income tax liabilities(net) | | 1,360 | 805 | 546 |
| (d) Employee benefit obligation | | 1,809 | 1,635 | 1,356 |
| (e) Provisions | 19(B) | 136 | 115 | 103 |
| (f) Other liabilities | 20(B) | 1,833 | 1,637 | 1,342 |
| **Total current liabilities** | | 14,270 | 15,569 | 14,672 |
| **TOTAL EQUITY AND LIABILITIES** | | 93,236 | 89,096 | 72,966 |

**III. NOTES FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 1-29**

*As per our report attached*

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

**P. R. Ramesh**
*Partner*

*Mumbai, October 13, 2016*

*For and on behalf of the Board*

**N. Chandrasekaran**
*CEO and Managing Director*

**Aarthi Subramanian**
*Executive Director*

**Rajesh Gopinathan**
*Chief Financial Officer*

**Suprakash Mukhopadhyay**
*Company Secretary*

**TATA CONSULTANCY SERVICES LIMITED**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ crores)

| | | Note | For the quarter ended September 30, 2016 | For the quarter ended September 30, 2015 | For the six months ended September 30, 2016 | For the six months ended September 30, 2015 |
|---|---|---|---|---|---|---|
| I. | Revenue from operations | | 29,284 | 27,165 | 58,589 | 52,833 |
| II. | Other income (net) | 21 | 1,057 | 683 | 2,032 | 1,462 |
| III. | **TOTAL INCOME** | | **30,341** | **27,848** | **60,621** | **54,295** |
| IV. | **Expenses:** | | | | | |
| | (a) Employee costs | 22 | 15,280 | 13,623 | 30,654 | 26,914 |
| | (b) Other operating expenses | 23 | 5,891 | 5,720 | 11,985 | 10,896 |
| | (c) Finance costs | 24 | 5 | 8 | 17 | 15 |
| | (d) Depreciation and amortisation expense | | 496 | 469 | 986 | 922 |
| | **TOTAL EXPENSES** | | **21,672** | **19,820** | **43,642** | **38,747** |
| V. | **PROFIT BEFORE TAX (III-IV)** | | **8,669** | **8,028** | **16,979** | **15,548** |
| VI. | **Tax expense:** | | | | | |
| | (a) Current tax | | 2,033 | 1,886 | 3,957 | 3,682 |
| | (b) Deferred tax | | 33 | 49 | 101 | - |
| VII. | **PROFIT FOR THE PERIOD** | | **6,603** | **6,093** | **12,921** | **11,866** |
| 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 | | 675 | - | 819 | - |
| | (b)Changes in fair values of intrinsic value of cash flow hedges | | (53) | 26 | (25) | (105) |
| | (c)Changes in fair values of time value of cash flow hedges | | (30) | 24 | 19 | (35) |
| | (d)Exchange differences on translation of financial statements of foreign operations | | (127) | 40 | (43) | 268 |
| | **(ii) Income tax on items that will be reclassified subsequently to the statement of profit and loss** | | (222) | (6) | (283) | 19 |
| (B) | **(i) Items that will not be reclassified subsequently to the statement of profit and loss:** | | | | | |
| | (a)Remeasurement of defined employee benefit plans | | (36) | (32) | (65) | (43) |
| | (b)Changes in fair values of investments in equity shares carried at fair value through OCI | | - | 1 | (21) | 1 |
| | **(ii) Income tax on items that will not be reclassified subsequently to the statement of profit and loss** | | 2 | 4 | 3 | 5 |
| | **TOTAL OTHER COMPREHENSIVE INCOME NET OF TAXES** | | **209** | **57** | **404** | **110** |
| IX. | **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **6,812** | **6,150** | **13,325** | **11,976** |
| | **Profit for the period attributable to:** | | | | | |
| | Shareholders of the Company | | 6,586 | 6,073 | 12,903 | 11,820 |
| | Non-controlling interests | | 17 | 20 | 18 | 46 |
| | | | **6,603** | **6,093** | **12,921** | **11,866** |
| | **Total comprehensive income for the period attributable to:** | | | | | |
| | Shareholders of the Company | | 6,781 | 6,134 | 13,278 | 11,897 |
| | Non-controlling interests | | 31 | 16 | 47 | 79 |
| | | | **6,812** | **6,150** | **13,325** | **11,976** |
| X. | **Earnings per equity share :- Basic and diluted (₹)** | 25 | 33.43 | 30.82 | 65.49 | 59.99 |
| | 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 CONSOLIDATED FINANCIAL STATEMENTS 1-29**

*As per our report attached*

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

**P. R. Ramesh**
*Partner*

*Mumbai, October 13, 2016*

*For and on behalf of the Board*

**N. Chandrasekaran**
*CEO and Managing Director*

**Aarthi Subramanian**
*Executive Director*

**Rajesh Gopinathan**
*Chief Financial Officer*

**Suprakash Mukhopadhyay**
*Company Secretary*

**TATA CONSULTANCY SERVICES LIMITED**
**CONDENSED CONSOLIDATED 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 as of September 30, 2015 |
|---|---|---|
| | | |
| 197 | - | 197 |

(₹ crores)

| Balance as of April 1, 2016 | Changes in equity share capital during the period | Balance as of September 30, 2016 |
|---|---|---|
| | | |
| 197 | - | 197 |

**TATA CONSULTANCY SERVICES LIMITED**

**CONDENSED CONSOLIDATED 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 | Retained earnings | Statutory reserve | Investment revaluation reserve | Intrinsic value | Time value | Foreign currency translation reserve | Equity attributable to shareholders of the Company | Non-controlling interests | Total Equity |
| **Balance as of April 1, 2015** | **75** | **1,919** | **413** | **8,245** | **43,904** | **120** | **3** | **131** | **(1)** | **1,047** | **55,856** | **223** | **56,079** |
| Profit for the period | - | - | - | - | 11,820 | - | - | - | - | - | 11,820 | 46 | **11,866** |
| Other comprehensive income | - | - | - | - | (38) | - | 1 | (90) | (31) | 235 | 77 | 33 | **110** |
| **Total comprehensive income** | **75** | **1,919** | **413** | **8,245** | **55,686** | **120** | **4** | **41** | **(32)** | **1,282** | **67,753** | **302** | **68,055** |
| Dividend (including tax on dividend ) | - | - | - | - | (6,966) | - | - | - | - | - | (6,966) | (29) | **(6,995)** |
| Transfer to reserves( Refer Note 16) | - | - | 110 | 28 | (138) | - | - | - | - | - | - | - | - |
| **Balance as of September 30, 2015** | **75** | **1,919** | **523** | **8,273** | **48,582** | **120** | **4** | **41** | **(32)** | **1,282** | **60,787** | **273** | **61,060** |
| **Balance as of April 1, 2016** | 75 | 1,919 | 523 | 10,549 | 56,116 | 185 | 53 | 68 | (19) | 1,406 | 70,875 | 355 | **71,230** |
| Profit for the period | - | - | - | - | 12,903 | - | - | - | - | - | 12,903 | 18 | **12,921** |
| Other comprehensive income | - | - | - | - | (64) | - | 516 | (22) | 17 | (72) | 375 | 29 | **404** |
| **Total comprehensive income** | **75** | **1,919** | **523** | **10,549** | **68,955** | **185** | **569** | **46** | **(2)** | **1,334** | **84,153** | **402** | **84,555** |
| Dividend (including tax on dividend) | - | - | - | - | (7,939) | - | - | - | - | - | (7,939) | (26) | **(7,965)** |
| Realised gain on equity shares carried at fair value through OCI | - | - | - | - | 1 | - | (1) | - | - | - | - | - | **-** |
| Transfer to reserves( Refer Note 16) | - | - | - | - | - | - | - | - | - | - | - | - | **-** |
| Purchase of non-controlling interests | - | - | - | - | (24) | - | - | - | - | - | (24) | (20) | **(44)** |
| **Balance as of September 30, 2016** | **75** | **1,919** | **523** | **10,549** | **60,993** | **185** | **568** | **46** | **(2)** | **1,334** | **76,190** | **356** | **76,546** |

**C. NOTES FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 1- 29**

*As per our report attached*

*For* ***Deloitte Haskins & Sells LLP***

*Chartered Accountants*

**P. R. Ramesh**

*Partner*

*Mumbai, October 13, 2016*

*For and on behalf of the Board*

**N. Chandrasekaran**

*CEO and Managing Director*

**Aarthi Subramanian**

*Executive Director*

**Rajesh Gopinathan**

*Chief Financial Officer*

**Suprakash Mukhopadhyay**

*Company Secretary*

**TATA CONSULTANCY SERVICES LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| | | Note | For the six months ended Sep 30, 2016 | For the six months ended Sep 30, 2015 |
|---|---|---|---|---|
| | | | | (₹ crores) |
| I | **NET CASH FLOWS FROM OPERATING ACTIVITIES** | | **10,795** | **8,334** |
| II | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| | Bank deposits placed | | (2) | (42) |
| | Inter-corporate deposits placed | | (2,165) | (129) |
| | Purchase of investments carried at fair value through profit and loss* | | (46,298) | (33,511) |
| | Purchase of investments carried at fair value through OCI | | (805) | - |
| | Purchase of investments carried at amortised cost | | - | (17) |
| | Purchase of property, plant and equipment | | (1,055) | (990) |
| | Purchase of intangible assets | | (1) | (1) |
| | Proceeds from bank deposits | | 34 | 1,369 |
| | Proceeds from inter-corporate deposits | | 2,254 | 893 |
| | Proceeds from disposal /redemption of investments carried at fair value through profit and loss* | | 39,964 | 31,122 |
| | Proceeds from disposal /redemption of investments carried at fair value through OCI | | 340 | - |
| | Proceeds from disposal/redemption of investments carried amortised cost | | 500 | - |
| | Proceeds from disposal of property, plant and equipment | | 22 | 3 |
| | Proceeds from ear marked deposits with banks | | 400 | 195 |
| | Dividend received | | 1 | 8 |
| | Interest received | | 795 | 297 |
| | **Net cash used in investing activities** | | **(6,016)** | **(803)** |
| III | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| | Short-term borrowings (net) | | (112) | (185) |
| | Dividend paid to non-controlling interest of subsidiaires(including dividend tax) | | (26) | (5) |
| | Dividend paid (including dividend tax) | | (7,939) | (6,966) |
| | Purchase of non-controlling interests | | (44) | |
| | Repayment of finance lease obligations | | (36) | (36) |
| | Issue of shares to non-controlling interests | | | 2 |
| | Interest paid | | (11) | (9) |
| | **Net cash used in financing activities** | | **(8,168)** | **(7,199)** |
| | **Net increase in cash and cash equivalents** | | (3,389) | 332 |
| | Cash and cash equivalents at the beginning of the period | | 6,295 | 1,862 |
| | Exchange difference on translation of foreign currency cash and cash equivalents | | (34) | 116 |
| | **Cash and cash equivalents at the end of the period** | 13 | **2,872** | **2,310** |

*Purchase of investments carried at fair value through profit and loss include ₹ 211 crores (September 30, 2015: ₹ 149 crores) and proceeds from disposal /redemption of investments carried at fair value through profit and loss include ₹ 228 crores (September 30, 2015: ₹ 28 crores) of TCS Foundation, formed for conducting corporate social responsibility activities of the Group.

IV **NOTES FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 1-29**

*As per our report attached*

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

**P. R. Ramesh**
*Partner*

*Mumbai, October 13, 2016*

*For and on behalf of the Board*

**N. Chandrasekaran**
*CEO and Managing Director*

**Aarthi Subramanian**
*Executive Director*

**Rajesh Gopinathan**
*Chief Financial Officer*

**Suprakash Mukhopadhyay**
*Company Secretary*

1) **Corporate information**

Tata Consultancy Services Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") provides consulting-led integrated portfolio of information technology (IT) and IT-enabled services delivered through a network of delivery centers around the globe. The Group's full services portfolio consists of IT and Assurance Services, Business Intelligence and Performance Management, Business Process Services, Consulting, Digital Enterprise, 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 September 30, 2016, Tata Sons Limited, the holding company owned 73.26% of the Company's equity share capital.

The condensed consolidated financial statements for the quarter ended 30$^{th}$ September were approved by the Board of Directors and authorised for issue on October 13, 2016.

2) **Significant accounting policies**

**a) Statement of compliance**

In accordance with the notification issued by the Ministry of Corporate Affairs, the Group 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 Group 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, September 30, 2015 and April 1, 2015 and of the comprehensive net income for the quarter ended and six months ended September 30, 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.

**c) 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 the entity.

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

All inter-company transactions, balances and 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 owners of the Company.

**d) Business Combinations**

The Company accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in profit or 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 the 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 are recorded in shareholders' equity.

**e) Use of estimates and judgements**

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

Key source of estimation of uncertainty at the date of 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 goodwill, useful lives of property, plant and equipment ,valuation of deferred tax assets ,provisions and contingent liabilities.

*Impairment of Goodwill*

The Group estimate 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.

*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.

*Valuation of deferred tax assets*

The Group 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(j).

*Provisions and contingent liabilities*

A provision is recognised when the Group 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.

**f) Revenue recognition**

The Group 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 Group 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 Group 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 is recognised using the effective interest method.

**g) Leases**

***Finance lease***

Assets taken on lease by the Group in its capacity as lessee, where the Group 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.

**h) 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 of running its facilities, travel expenses, cost of equipment and software licenses, communication costs, allowances for delinquent receivables and advances and other expenses. Other expenses is an aggregation of costs which are individually not material such as commission and brokerage, bank charges, freight and octroi, etc.

**i) Foreign currency**

The functional currency of the Company and its Indian subsidiaries is the Indian Rupee (₹) whereas the functional currency of foreign subsidiaries is the currency of their countries of domicile.

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are restated into the functional currency using exchange rates prevailing on the balance sheet date.

Gains and losses arising on settlement and restatement of foreign currency denominated monetary assets and liabilities are recognised in the statement of profit and loss.

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

**j) 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 Group, 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 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.

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 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 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, 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 Group recognises interest levied and penalties related to income tax assessments in income tax expenses.

**k) Financial 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.

***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 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 Group 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 and 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 Group after deducting all of its liabilities. Equity instruments recognised by the Group are recognised at the proceeds received net off direct issue cost

***Hedge accounting***

The Group 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 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, which 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 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 other comprehensive income and accumulated under the heading cash flow hedge 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 or loss.

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

**l) Property, plant and equipment**

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

Depreciation is provided for property, plant and equipment so as to expense the cost over their estimated useful lives. The estimated useful lives, residual values 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 building | 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 |

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives.
Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use.

**m) Goodwill and intangible assets**

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.

Intangible assets purchased including acquired in business combination, 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 acquired contract rights, rights under licensing agreement and software licences and customer-related intangibles. Following table summarises the nature of intangibles and the estimated useful lives. Intangible assets are amortised on a straight line basis over its useful lives as given below:

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

**n) Impairment**

**i. 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. The Group 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**

**a) 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.

**b) Goodwill**

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 pro-rata on the basis of the carrying amount of each asset in the unit.

**o) Employee benefits**

**(i) Defined benefit plans**

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in 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 obligation at the balance sheet date.

**p) Inventories**

Raw materials, sub-assemblies and components are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. 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 Group are carried at lower of cost and net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads.

**q) Earnings per share**

Basic earnings per share 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 of April 1, 2015 to Ind AS was carried out from Previous GAAP. The exemptions and exceptions applied by the Group 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 Group has applied the following exemptions:

**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 September 30, 2015 | As at April 1, 2015 |
|---|---|---|---|---|
| **Equity under Previous GAAP attributable to:** | | | | |
| Tata Consultancy Services Limited | | 65,361 | 60,307 | 50,635 |
| Non-controlling interests | | 502 | 456 | 1,128 |
| **Equity under Previous GAAP** | | **65,863** | **60,763** | **51,763** |
| Amalgamation of subsidiary | a | - | - | (296) |
| **Adjusted equity under Previous GAAP** | | **65,863** | **60,763** | **51,467** |
| Dividend (including dividend tax) | b | 6,406 | 1,304 | 5,649 |
| Effect of consolidation of employee welfare trusts | c | 184 | 173 | 168 |
| Depreciation | d | (483) | (507) | (537) |
| Obligation to acquire non-controlling interests | e | (189) | (222) | (240) |
| Reorganisation of entities under common control | f | (167) | (167) | (167) |
| Fair valuation of investments | g | 86 | 19 | 10 |
| Tax adjustments including deferred tax on undistributed earnings | h | (243) | (68) | (25) |
| Impact of retrospective application of Ind AS 103 to past business combinations | i | (29) | (38) | (47) |
| Others | | (1) | - | (2) |
| **Equity under Ind AS** | | **71,427** | **61,257** | **56,276** |
| **Attributable to:** | | | | |
| Tata Consultancy Services Limited | | 71,072 | 60,984 | 56,053 |
| Non-controlling interests | | 355 | 273 | 223 |

**(ii) Comprehensive income reconciliation**

(₹ crores)

| | Notes | For quarter ended September 30, 2015 | For the six months ended September 30, 2015 |
|---|---|---|---|
| **Net income under Previous GAAP attributable to :** | | | |
| Tata Consultancy Services Limited | | 6,084 | 11,795 |
| Non-controlling interests | | 24 | 54 |
| **Net income under Previous GAAP** | | **6,108** | **11,849** |
| Employee benefits | j | 32 | 43 |
| Effect of consolidation of Employee welfare trusts | c | (3) | 5 |
| Depreciation | d | 15 | 32 |
| Obligation to acquire non-controlling interests | e | (3) | (6) |
| Fair valuation of investments | g | (18) | 9 |
| Tax adjustments including deferred tax on undistributed earnings | h | (39) | (66) |
| Others | | 1 | - |
| **Profit for the period under Ind AS** | | **6,093** | **11,866** |
| Other comprehensive income | | 57 | 110 |
| **Comprehensive income under Ind AS** | | **6,150** | **11,976** |
| **Attributable to:** | | | |
| Tata Consultancy Services Limited | | 6,134 | 11,897 |
| Non-controlling interests | | 16 | 79 |

**Notes to reconciliations between Previous GAAP and Ind AS**

(a) **Amalgamation of subsidiary**

In the previous year, CMC ltd., a subsidiary merged with the company effective with the terms of the Scheme of amalgamation sanctioned by High Court of judicature at Bombay vide its order dated August 14, 2015 and High Court judicature at Hyderabad through its order dated July 20, 2015. The Company issued 11,699,962 equity shares of ₹ 1 each to the non-controlling shareholders of CMC Limited pursuant to the Scheme of amalgamation without payment being received in cash. The difference between the nominal value of the shares issued and the carrying value of the non-controlling interest has been recorded in retained earnings.

This has resulted in decrease in equity by ₹ 296 crores as on April 1, 2015.

(b) **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 ₹ 6,406 crores, ₹ 1,304 crores, ₹ 5,649 crores as on March 31, 2016, September 30, 2015 and April 1, 2015 respectively.

(c) **Effect of Consolidation of Employee welfare trusts**

Ind AS 110 – Consolidated Financial Statements defines control and establishes control as the main basis for consolidating the entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, in light of which the employee welfare trusts of the Group are consolidated. Under Previous GAAP, these were not required to be consolidated.

This has resulted in an increase in equity by ₹ 184 crores, ₹ 173 crores, ₹ 168 crores as at March 31 2016, September 30, 2015 and April 1, 2015 respectively and decrease in net income by ₹ 3 crores and increase in net income by ₹ 5 crores for the quarter ended and six months ended September 30, 2015 respectively.

(d) **Depreciation**

In April 2014, the Group 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 Group has elected to apply Ind AS 16 - Property, plant and equipment from the date of acquisition of property, plant and equipment and accordingly in Ind AS 8- Accounting policies, changes in accounting estimates and errors, the change in method has been prospectively applied.
This has resulted in a decrease in equity by ₹ 483 crores, ₹ 507 crores, ₹ 537 crores as on March 31 2016, September 30, 2015 and April 1, 2015 respectively and increase in net income by ₹ 15 crores, ₹ 32 crores for quarter ended and six months ended September 30, 2015 respectively.

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(e) **Obligation to acquire non-controlling interests**

The Group under Ind AS-103 –Business Combinations has recognised a liability for the present value of the redemption amount towards call option and the non-controlling interest's put option which collectively contains an obligation for the Group to acquire non-controlling interest's equity ownership. Under Previous GAAP, these were not required to be recognised.

This has resulted in a decrease in equity by ₹ 189 crores, ₹ 222 crores, ₹ 240 crores as on March 31 2016, September 30, 2015 and April 1, 2015 respectively and decrease in net income by ₹ 3 crores , ₹ 6 crores for the quarter ended and six months ended September 30, 2015 respectively.

(f) **Reorganisation of entities under common control**

The Group under Ind AS 103-Business Combinations has accounted the transfer of the shareholding of Tata Sons Limited in Tata America International Corporation to Tata Consultancy Services Limited on the historical cost basis and the consideration paid in excess of carrying cost of the entity, as on the date of transfer, has been recorded as reduction to equity. Under Previous GAAP, the transfer has been accounted for on fair value basis.

This has resulted in a decrease in equity by ₹ 167 crores as on March 31 2016, September 30, 2015 and April 1, 2015.

(g) **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 amortized cost are subsequently measured at fair value.

The Group 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 group 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, ₹ 5 crores and ₹ 4 crores as on March 31, 2016, September 30, 2015 and April 1, 2015 respectively, and increase in other comprehensive income by ₹ 1 crores for the quarter ended and six months ended September 30, 2015 .

Investment in mutual Funds have been classified as fair value through profit and loss and fair value changes are recognized in profit or loss. This has resulted in increase in retained earnings of ₹ 4 crores, ₹ 14 crores and ₹ 6 crores as on March 31, 2016, September 30, 2015 and April 1, 2015 respectively, and decrease in net comprehensive income by ₹ 18 crores, and increase in net comprehensive income by ₹ 9 crores for the quarter ended and six months ended September 30, 2015 respectively

(h) **Tax adjustments including deferred tax on undistributed earnings**

Under previous GAAP, in the consolidated financial statements, the tax expense of the parents and group companies were added line- by-line and no adjustments were made/additional deferred taxes recognized or reversed on consolidation. Under Ind AS, deferred taxes are computed for temporary differences between the carrying amount of an asset or liability in the balance sheet and tax base. Consequently deferred tax on account of undistributed profits of the subsidiaries has been recognized in statement of profit or loss. Further tax adjustments are also made for deferred tax impact on account of differences between Previous GAAP and Ind AS.

These adjustments have resulted in an decrease in equity under Ind AS by ₹ 243 crores, ₹ 68 crores, ₹ 25 crores as on March 31 2016, September 30, 2015 and April 1, 2015 respectively and decrease in net income by ₹ 39 crores , ₹ 66 crores for the quarter ended and six months ended September 30, 2015 respectively.

(i) **Impact of retrospective application of Ind AS 103 to past business combinations**

Under Previous GAAP, the business combination was accounted at the book value, under Ind AS 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.

This has resulted in decrease in equity by ₹ 29 crores, ₹ 38 crores, ₹ 47 crores as on March 31, 2016, September 30, 2015 and April 1, 2015 respectively.

(j) **Employee benefits**

Under previous GAAP, actuarial gains and losses were recognized in statement of profit and loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of net defined benefit liability/asset which is recognized in other comprehensive income in the respective periods.

This has resulted in increase in net income by, ₹ 32 crores, ₹ 43 crores for the quarter ended and six months ended September 30, 2015 respectively.

However the same does not result in difference in equity or total comprehensive income.

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 of April 1, 2016 | 348 | 6,119 | 1,840 | 322 | 5,591 | 32 | 2,004 | 1,620 | 1,432 | 19,308 |
| Additions | - | 456 | 54 | 41 | 460 | 2 | 56 | 70 | 57 | 1,196 |
| Disposals | - | (3) | (26) | - | (45) | (1) | (10) | (4) | (13) | (102) |
| Translation exchange difference | - | - | 14 | - | (15) | - | 5 | (1) | (7) | (4) |
| Cost as of September 30, 2016 | 348 | 6,572 | 1,882 | 363 | 5,991 | 33 | 2,055 | 1,685 | 1,469 | 20,398 |
| Accumulated depreciation as of April 1, 2016 | - | (1,139) | (977) | (40) | (4,155) | (21) | (1,284) | (732) | (989) | (9,337) |
| Depreciation for the period | - | (164) | (95) | (17) | (390) | (3) | (128) | (73) | (73) | (943) |
| Disposals | - | 3 | 17 | - | 39 | 1 | 9 | 3 | 12 | 84 |
| Translation exchange difference | - | - | (3) | - | 14 | - | 3 | 1 | (2) | 13 |
| Accumulated depreciation as of September 30, 2016 | - | (1,300) | (1,058) | (57) | (4,492) | (23) | (1,400) | (801) | (1,052) | (10,183) |
| Net carrying amount as of September 30, 2016 | 348 | 5,272 | 824 | 306 | 1,499 | 10 | 655 | 884 | 417 | 10,215 |

(₹ crores)

| Description | Freehold land | Buildings | Leasehold Improvements | Plant and equipment | Computer equipment | Vehicles | Office equipment | Electrical Installations | Furniture and fixtures | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost as of April 1, 2015 | 347 | 4,831 | 1,675 | 129 | 5,074 | 28 | 1,762 | 1,295 | 1,257 | 16,398 |
| Additions | - | 1,285 | 186 | 193 | 655 | 8 | 245 | 335 | 194 | 3,101 |
| Disposals | - | (1) | (38) | - | (168) | (4) | (17) | (12) | (20) | (260) |
| Translation exchange difference | 1 | 4 | 17 | - | 30 | - | 14 | 2 | 1 | 69 |
| Cost as of March 31, 2016 | 348 | 6,119 | 1,840 | 322 | 5,591 | 32 | 2,004 | 1,620 | 1,432 | 19,308 |
| Accumulated depreciation as of April 1, 2015 | - | (855) | (802) | (18) | (3,542) | (21) | (1,042) | (603) | (874) | (7,757) |
| Depreciation for the year | - | (283) | (200) | (22) | (766) | (4) | (252) | (134) | (129) | (1,790) |
| Disposals | - | - | 29 | - | 168 | 4 | 17 | 7 | 18 | 243 |
| Translation exchange difference | - | (1) | (4) | - | (15) | - | (7) | (2) | (4) | (33) |
| Accumulated depreciation as of March 31, 2016 | - | (1,139) | (977) | (40) | (4,155) | (21) | (1,284) | (732) | (989) | (9,337) |
| Net carrying amount as of March 31, 2016 | 348 | 4,980 | 863 | 282 | 1,436 | 11 | 720 | 888 | 443 | 9,971 |

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

*Amounts less than ₹ 1 crore.

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

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Leasehold improvements | 105 | 105 | 105 |
| Computer equipment | 179 | 182 | 161 |
| Office equipments | 3 | 3 | 3 |
| Electrical Installations | 5 | 4 | 4 |
| Leased assets | 292 | 294 | 273 |
| Less:Accumulated depreciation | 220 | 200 | 132 |
| Leased assets(net) | 72 | 94 | 141 |

5) **INTANGIBLE ASSETS**

Intangible assets consist of the following:

(₹ crores)

| Description | Acquired contract rights | Rights under licensing agreement and software licence | Customer-related intangibles | Total |
|---|---|---|---|---|
| Cost as of April 1, 2016 | 379 | 144 | 86 | 609 |
| Additions | - | 1 | - | 1 |
| Translation exchange difference | (23) | 1 | - | (22) |
| Cost as of September 30, 2016 | 356 | 146 | 86 | 588 |
| Accumulated amortisation as of April 1, 2016 | (281) | (116) | (78) | (475) |
| Amortisation for the period | (33) | (4) | (6) | (43) |
| Translation exchange difference | 19 | (1) | 1 | 19 |
| Accumulated amortisation as of September 30, 2016 | (295) | (121) | (83) | (499) |
| Net carrying amount as of September 30, 2016 | 61 | 25 | 3 | 89 |

(₹ crores)

| Description | Acquired contract rights | Rights under licensing agreement and software licences | Customer-related intangibles | Total |
|---|---|---|---|---|
| Cost as of April 1, 2015 | 364 | 141 | 80 | 585 |
| Additions | - | 3 | - | 3 |
| Translation exchange difference | 15 | - | 6 | 21 |
| Cost as of March 31, 2016 | 379 | 144 | 86 | 609 |
| Accumulated amortisation as at April 1, 2015 | (208) | (106) | (51) | (365) |
| Amortisation for the year | (66) | (10) | (21) | (97) |
| Translation exchange difference | (7) | - | (6) | (13) |
| Accumulated amortisation as of March 31, 2016 | (281) | (116) | (78) | (475) |
| Net carrying amount as of March 31, 2016 | 98 | 28 | 8 | 134 |

6) **INVESTMENTS**

Investments consist of the following:

**(A) Investments-Non current**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| **(a) Investments carried at fair value through profit and loss** | | | |
| Mutual and other funds (unquoted) | 60 | 58 | 7 |
| **(b) Investments carried at fair value through OCI** | | | |
| Fully paid equity shares (quoted) | - | - | 4 |
| Fully paid equity shares (unquoted) | 148 | 169 | 162 |
| **(c) Investments carried at amortised cost** | | | |
| Government Securities (quoted) | 37 | 101 | 55 |
| Corporate debentures and bonds (unquoted) | 16 | 15 | 25 |
| | 261 | 343 | 253 |

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

**(B) Investments -Current**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| **(a) Investment carried at fair value through profit and Loss** | | | |
| Mutual and other funds (unquoted) | 8,207 | 1,709 | 1,501 |
| **(b) Investment carried at fair value through OCI** | | | |
| Government securities(quoted) | 20,734 | 20,254 | - |
| **(c) Investment carried at amortised cost** | | | |
| Certificate of deposits (unquoted) | - | 491 | - |
| Corporate debentures and bonds(unquoted) | 25 | 25 | - |
| | 28,966 | 22,479 | 1,501 |

7) **LOANS (Unsecured)**

Loans (unsecured) consist of the following:

**(A) Long term loans**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Considered good | | | |
| (a) Loans and advances to employees | 8 | 7 | 9 |
| (b) Inter-corporate deposits | 88 | 2,465 | 1,572 |
| | 96 | 2,472 | 1,581 |

**(B) Short term loans (Unsecured)**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Considered good | | | |
| (i) Loans and advances to employees | 687 | 1,021 | 336 |
| (ii) Inter-corporate deposits | 4,009 | 1,721 | 1,154 |
| (iii) Others | - | 1 | 3 |
| (b) Considered doubtful | | | |
| (i) Loans and advances to employees | 60 | 56 | 51 |
| Less:Allowance on loans and advances to employees | (60) | (56) | (51) |
| | 4,696 | 2,743 | 1,493 |

8) **OTHER FINANCIAL ASSETS**

Other financial assets consist of the following:

**(A) Non-current financial assets**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Interest receivable | - | 73 | 24 |
| (b) Long-term bank deposits | 6 | 415 | 500 |
| (c) Security deposits | 907 | 733 | 668 |
| (d) Earmarked balances with banks | 1 | 86 | - |
| (e) Others | 1 | 18 | 42 |
| | 915 | 1,325 | 1,234 |

**(B) Current financial assets**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Interest receivable | 577 | 206 | 342 |
| (b) Fair value of foreign exchange forward and currency option contracts | 573 | 537 | 365 |
| (c) Security deposits | 134 | 143 | 127 |
| (d) Others | 92 | 30 | 75 |
| | 1,376 | 916 | 909 |

Others include receivables towards sale of Government securities of ₹ 70 crores as at September 30, 2016

9) **DEFERRED TAX BALANCES**

Deferred tax balances consist of the following:

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| **(A) Deferred tax assets (net)** | | | |
| (a) Depreciation and amortisation | 61 | 40 | 29 |
| (b) Employee benefits | 355 | 327 | 294 |
| (c) Receivables, financial assets at amortised cost | 203 | 190 | 158 |
| (d) MAT credit entitlement | 2,055 | 1,987 | 1,905 |
| (e) Unrealised gain on securities carried at fair value through profit and loss / OCI | (312) | (28) | (3) |
| (f) Operating lease liabilities | 99 | 94 | 83 |
| (g) Others | 244 | 298 | 167 |
| | **2,705** | **2,908** | **2,633** |
| **(B) Deferred tax liabilities (net)** | | | |
| (a) Depreciation and amortisation | 99 | 102 | 129 |
| (b) Undistributed earnings of subsidiaries | 464 | 342 | 160 |
| (c) Branch profit tax | 379 | 346 | 256 |
| (d) Others | 35 | 15 | (5) |
| | **977** | **805** | **540** |

10) **OTHER ASSETS**

Other assets consist of the following:

**(A) Other non -current assets**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Considered good | | | |
| (i) Capital advances | 146 | 149 | 169 |
| (ii) Advances to related parties | 5 | - | - |
| (iii) Prepaid expenses | 315 | 448 | 534 |
| (iv) Prepaid rent | 229 | 235 | 241 |
| (v) Others | 89 | 94 | 131 |
| | 784 | 926 | 1,075 |
| Advances to related parties, considered good, comprise: | | | |
| Voltas Limited | 5 | - | - |

**(B) Other current assets**

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Considered good | | | |
| (i) Prepaid expenses | 1,140 | 1,376 | 1,512 |
| (ii) Advance to suppliers | 230 | 240 | 110 |
| (iii) Advance to related parties | 1 | 1 | - |
| (iv) Indirect tax recoverable | 366 | 340 | 309 |
| (v) Other advances | 64 | 93 | 56 |
| (vi) Others | 107 | 124 | 96 |
| (b) Considered doubtful | | | |
| (i) Advance to suppliers | 3 | 3 | 5 |
| (ii) Indirect tax recoverable | 2 | 2 | 2 |
| (iii) Other advances | 4 | 4 | 3 |
| Less: Allowance on doubtful assets | (9) | (9) | (10) |
| | 1,908 | 2,174 | 2,083 |
| Advance to related parties,considered good comprise: | | | |
| Taj Air Limited | - | 1 | - |
| The Titan Company Limited | 1 | - | - |

11) **INVENTORIES**

Inventories consist of the following:

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Raw materials, sub-assemblies and components | 14 | 9 | 10 |
| (b) Finished goods and work-in-progress | 1 | - | 2 |
| (c) Goods-in-transit (raw materials) | 1 | - | 2 |
| (d) Stores and spares | 1 | 7 | 1 |
| | 17 | 16 | 15 |

12) **TRADE RECEIVABLES (Unsecured)**

Trade receivables(unsecured) consist of the following:

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Considered good | 25,061 | 24,073 | 20,440 |
| (b) Considered doubtful | 614 | 574 | 448 |
| | 25,675 | 24,647 | 20,888 |
| Less: Provision for doubtful receivables | (614) | (574) | (448) |
| | 25,061 | 24,073 | 20,440 |

## 13) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Balances with banks | | | |
| In current accounts | 2,477 | 2,159 | 1,443 |
| In deposit accounts | 342 | 2,881 | 353 |
| (b) Cheques on hand | 4 | 25 | 51 |
| (c) Cash on hand | 1 | 1 | 1 |
| (d) Remittances in transit | 48 | 1,229 | 14 |
| | 2,872 | 6,295 | 1,862 |

## 14) OTHER BANK BALANCES

Other bank balances consist of the following:

(₹ crores)

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| (a) Earmarked balances with banks | 119 | 440 | 313 |
| (b) Short-term bank deposits | 430 | 53 | 16,383 |
| | 549 | 493 | 16,696 |

## 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 September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| **Authorised** | | | |
| (a) 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 |
| (b) 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** | | | |
| (a) 197,04,27,941 equity shares of ₹ 1 each (March 31, 2016 : 197,04,27,941 equity shares of ₹ 1 each) (April 1, 2015 : 197,04,27,941 equity shares of ₹ 1 each) | 197 | 197 | 196 |
| (b) 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 of 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 September 30, 2016 | As at March 31, 2016 |
|---|---|---|---|
| (a) | Capital reserve (on consolidation) | 75 | 75 |
| (b) | Securities premium reserve | 1,919 | 1,919 |
| (c) | Capital redemption reserve | | |
| | (i) Opening balance | 523 | 413 |
| | (ii) Transferred from retained earnings* | - | 110 |
| | | 523 | 523 |
| (d) | General reserve | | |
| | (i) Opening balance | 10,549 | 8,245 |
| | (ii) Transferred from retained earnings | - | 2,304 |
| | | 10,549 | 10,549 |
| (e) | Retained earnings | | |
| | (i) Opening balance | 56,116 | 43,904 |
| | (ii) Profit for the period | 12,903 | 24,271 |
| | (iii) Remeasurement of defined employee benefit plans | (64) | (108) |
| | (iv) Purchase of non-controlling interests ** | (24) | - |
| | (v) Realised gain on equity shares carried at fair value through OCI | 1 | - |
| | | 68,932 | 68,067 |
| | (iv) Less : Appropriations | | |
| | (a) Dividend on equity shares | 6,601 | 7,986 |
| | (b) Tax on dividend | 1,338 | 1,486 |
| | (c) Trasferred to capital redemption reserve* | - | 110 |
| | (d) Transferred to general reserve | - | 2,304 |
| | (e) Transferred to statutory reserve | - | 65 |
| | | 60,993 | 56,116 |
| (f) | Statutory reserve | | |
| | (i) Opening balance | 185 | 120 |
| | (ii) Transferred from retained earnings | - | 65 |
| | | 185 | 185 |
| (g) | Investment revaluation reserve | | |
| | (i) Opening balance | 53 | 3 |
| | (ii) Addition during the period (net) | 515 | 50 |
| | | 568 | 53 |
| (h) | Cash flow hedging reserve (Refer Note 26) | | |
| | (i) Opening balance | 49 | 130 |
| | (ii) Deduction during the period (net) | (5) | (81) |
| | | 44 | 49 |
| (i) | Foreign currency translation reserve | | |
| | (i) Opening balance | 1,406 | 1,047 |
| | (ii) (Deduction)/addition during the period (net) | (72) | 359 |
| | | 1,334 | 1,406 |
| | | 76,190 | 70,875 |

* On June 25, 2015, Diligenta Limited, a wholly owned subsidiary redeemed 1,10,00,000 redeemable preference shares of GBP 1 each. Accordingly an amount of ₹ 110 crores has been transferred to Capital redemption reserve during the year.

** It is on account of purchase of non-controlling interest in Tata Consultancy Services (South Africa) ( Propriety) Limited.

## 17) BORROWINGS

Borrowings consist of the following:

**(A) Long term borrowings**

(₹ crores)

| | | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| (a) | Secured loans | | | |
| | Long-term maturities of obligations under finance lease | 60 | 83 | 114 |
| (b) | Unsecured loans | | | |
| | Borrowings from entity other than banks | - | - | 1 |
| | | 60 | 83 | 115 |

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

**(B) Short term borrowings**

(₹ crores)

| | | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| (a) | Secured loans | | | |
| | Overdraft from banks | - | 112 | - |
| (b) | Unsecured loans | | | |
| | Overdraft from bank | 1 | 1 | 186 |
| | | 1 | 113 | 186 |

Secured overdrafts from banks are secured against trade receivables.

## 18) OTHER FINANCIAL LIABILITIES

Other financial liabilities consist of the following:

**(A) Other non current financial liabilities**

(₹ crores)

| | | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| (a) | Capital creditors | 8 | 62 | 68 |
| (b) | Others | 462 | 431 | 594 |
| | | 470 | 493 | 662 |

Other payables include advance taxes paid of ₹ 230 crores (March 31, 2016: ₹ 230 crores) (April 01, 2015: ₹ 333 crores) by the seller of TCS e-serve Limited which, on refund by the tax authorities, is payable to the seller.

**(B) Other current financial liabilities**

(₹ crores)

| | | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| (a) | Current maturities of obligations under finance lease | 36 | 49 | 57 |
| (b) | Unclaimed dividends | 24 | 21 | 20 |
| (c) | Fair value of foreign exchange forward and currency option contracts | 18 | 152 | 20 |
| (d) | Capital creditors | 255 | 331 | 337 |
| (e) | Liabilities for cost related to customer contracts | 891 | 882 | 728 |
| (f) | Liabilities for purchase of government securities | - | 805 | - |
| (g) | Others | 120 | 124 | 83 |
| | | 1,344 | 2,364 | 1,245 |

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

19) **PROVISIONS**

Provisions consist of the following:

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| | | | (₹ crores) |
| **(A) Non-current** | | | |
| Provision for foreseeable loss on a long-term contract | 19 | 40 | 94 |
| | 19 | 40 | 94 |
| **(B) Current** | | | |
| Provision for foreseeable loss on a long-term contract | 136 | 115 | 103 |
| | 136 | 115 | 103 |

20) **OTHER LIABILITIES**

Other liabilities consist of the following:

**(A) Other non current liabilities**

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| | | | (₹ crores) |
| (a) Operating lease liabilities | 380 | 379 | 345 |
| (b) Others | 52 | 63 | 59 |
| | 432 | 442 | 404 |

**(B) Other current liabilities**

| | As at September 30, 2016 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| | | | (₹ crores) |
| (a) Advance received from customers | 177 | 164 | 131 |
| (b) Indirect tax payable and other statutory liabilities | 1,546 | 1,381 | 1,146 |
| (c) Operating lease liabilities | 99 | 80 | 57 |
| (d) Others | 11 | 12 | 8 |
| | 1,833 | 1,637 | 1,342 |

21) **OTHER INCOME (NET)**

Other income (net ) consist of the following:

(₹ crores)

| | | For the quarter ended September 30, | | For the six months ended September 30, | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| (a) | Interest income | 542 | 406 | 1,123 | 852 |
| (b) | Dividend income | 1 | 4 | 1 | 8 |
| (c) | Gain/(loss) on sale of investments carried at fair value through profit and loss | 97 | 51 | 180 | 138 |
| (d) | Gain/(loss) on sale of investments carried at amortised cost | 6 | - | 6 | - |
| (e) | Gain/(loss) on disposal of property, plant and equipment | 1 | (1) | 4 | 1 |
| (f) | Net foreign exchange gains | 401 | 203 | 690 | 400 |
| (g) | Rent income | 5 | 9 | 10 | 14 |
| (h) | Miscellaneous income | 4 | 11 | 18 | 49 |
| | | 1,057 | 683 | 2,032 | 1,462 |
| **Interest income comprise :** | | | | | |
| | Interest on bank deposits | 19 | 364 | 77 | 736 |
| | Interest income on financial assets carried at amortised cost | 106 | 42 | 231 | 111 |
| | Interest income on financial assets carried at fair value through OCI | 399 | - | 797 | - |
| | Others | 18 | - | 18 | 5 |
| **Net foreign exchange gains include:** | | | | | |
| | Gain/(Loss) on foreign exchange forward and currency option contracts transferred from hedging reserve (Refer note 26(b)) | 192 | (34) | 213 | (26) |
| **Dividend income comprise:** | | | | | |
| | From current investments (mutual funds) | 1 | 4 | 1 | 8 |

22) **EMPLOYEE COSTS**

Employee costs consist of the following:

(₹ crores)

| | | For the quarter ended September 30, | | For the six months ended September 30, | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| (a) | Salaries, incentives and allowances | 13,794 | 12,316 | 27,626 | 24,277 |
| (b) | Contributions to provident and other funds | 1,033 | 936 | 2,106 | 1,926 |
| (c) | Staff welfare expenses | 453 | 371 | 922 | 711 |
| | | 15,280 | 13,623 | 30,654 | 26,914 |

23) **OTHER OPERATING EXPENSES**

Other operating expense consist of the following:

(₹ crores)

| | For the quarter ended September 30, 2016 | For the quarter ended September 30, 2015 | For the six months ended September 30, 2016 | For the six months ended September 30, 2015 |
|---|---|---|---|---|
| (a) Fees to external consultants | 2,249 | 2,158 | 4,544 | 4,002 |
| (b) Facility running expenses | 921 | 853 | 1,850 | 1,666 |
| (c) Cost of equipment and software licences | 488 | 561 | 1,166 | 1,219 |
| (d) Travel expenses | 703 | 678 | 1,432 | 1,281 |
| (e) Communication expenses | 267 | 265 | 565 | 546 |
| (f) Bad debts and advances written off,provision for trade receivables and advances(net) | 13 | 36 | 62 | 75 |
| (g) Other expenses | 1,250 | 1,169 | 2,366 | 2,107 |
| | 5,891 | 5,720 | 11,985 | 10,896 |

24) **FINANCE COSTS (at effective interest rate method)**

Finance costs consist of the following:

(₹ crores)

| | For the quarter ended September 30, 2016 | For the quarter ended September 30, 2015 | For the six months September 30, 2016 | For the six months September 30, 2015 |
|---|---|---|---|---|
| Interest expenses | 5 | 8 | 17 | 15 |
| | 5 | 8 | 17 | 15 |

25) **EARNING PER SHARE (EPS)**

| | For the quarter ended September 30, 2016 | For the quarter ended September 30, 2015 | For the six months ended September 30, 2016 | For the six months ended September 30, 2015 |
|---|---|---|---|---|
| Profit for the period (₹ crores) | 6,586 | 6,073 | 12,903 | 11,820 |
| Amount available for equity shareholders (₹ crores) | 6,586 | 6,073 | 12,903 | 11,820 |
| Weighted average number equity shares | 197,04,27,941 | 195,87,27,979 | 197,04,27,941 | 195,87,27,979 |
| Potential equity shares to be issued to non -controlling shareholders of CMC Limited | - | 1,16,99,962 | - | 1,16,99,962 |
| Total 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 (₹) | 33.43 | 30.82 | 65.49 | 59.99 |
| 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(k) to the consolidated financial statements.

**a) Financial assets and liabilities**

The carrying value of financial instruments by categories as of September 30, 2016 is as follows:

(₹ crores)

| | Fair value through profit or loss | Fair value through other comprehensive income | Derivative instruments in hedging relationship | Derivative instruments not in hedging relationship | Amortised cost | Total carrying value |
|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | |
| Cash and cash equivalents | - | - | - | - | 2,872 | 2,872 |
| Bank deposits & ear- marked bank balances | - | - | - | - | 556 | 556 |
| Trade receivables | - | - | - | - | 25,061 | 25,061 |
| Investments | 8,267 | 20,882 | - | - | 78 | 29,227 |
| Unbilled revenue | - | - | - | - | 4,712 | 4,712 |
| Loans | - | - | - | - | 4,792 | 4,792 |
| Other financial assets | - | - | 132 | 441 | 1,711 | 2,284 |
| **Total** | **8,267** | **20,882** | **132** | **441** | **39,782** | **69,504** |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | - | - | - | - | 6,381 | 6,381 |
| Borrowings | - | - | - | - | 61 | 61 |
| Other financial liabilities | - | - | - | 18 | 1,796 | 1,814 |
| **Total** | **-** | **-** | **-** | **18** | **8,238** | **8,256** |

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

(₹ crores)

| | Fair value through profit or loss | Fair value through other comprehensive income | Derivative instruments in hedging relationship | Derivative instruments not in hedging relationship | Amortised cost | Total carrying value |
|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | |
| Cash and cash equivalents | - | - | - | - | 6,295 | 6,295 |
| Bank deposits & ear -marked bank balances | - | - | - | - | 994 | 994 |
| Trade receivables | - | - | - | - | 24,073 | 24,073 |
| Investments | 1,767 | 20,423 | - | - | 632 | 22,822 |
| Unbilled revenue | - | - | - | - | 3,992 | 3,992 |
| Loans | - | - | - | - | 5,215 | 5,215 |
| Other financial assets | - | - | 116 | 421 | 1,203 | 1,740 |
| **Total** | **1,767** | **20,423** | **116** | **421** | **42,404** | **65,131** |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | - | - | - | - | 7,541 | 7,541 |
| Borrowings | - | - | - | - | 196 | 196 |
| Other financial liabilities | - | - | 15 | 137 | 2,705 | 2,857 |
| **Total** | **-** | **-** | **15** | **137** | **10,442** | **10,594** |

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

(₹ crores)

| | Fair value through profit or loss | Fair value through other comprehensive income | Derivative instruments in hedging relationship | Derivative instruments not in hedging relationship | Amortised cost | Total carrying value |
|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | |
| Cash and cash equivalents | - | - | - | - | 1,862 | 1,862 |
| Bank deposits & ear marked bank balances | - | - | - | - | 17,196 | 17,196 |
| Trade receivables | - | - | - | - | 20,440 | 20,440 |
| Investments | 1,508 | 166 | - | - | 80 | 1,754 |
| Unbilled revenue | - | - | - | - | 3,827 | 3,827 |
| Loans | - | - | - | - | 3,074 | 3,074 |
| Other financial assets | - | - | 186 | 179 | 1,278 | 1,643 |
| **Total** | **1,508** | **166** | **186** | **179** | **47,757** | **49,796** |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | - | - | - | - | 8,832 | 8,832 |
| Borrowings | - | - | - | - | 301 | 301 |
| Other financial liabilities | - | - | - | 20 | 1,887 | 1,907 |
| **Total** | **-** | **-** | **-** | **20** | **11,020** | **11,040** |

**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 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 of September 30, 2016:** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Mutual fund units | 8,267 | - | - | 8,267 |
| Equity shares | - | - | 148 | 148 |
| Corporate debentures and bonds | - | 41 | - | 41 |
| Government securities | 20,771 | - | - | 20,771 |
| Derivative financial assets | - | 573 | - | 573 |
| **Total** | **29,038** | **614** | **148** | **29,800** |
| **Financial liabilities:** | | | | |
| Derivative financial liabilities | - | 18 | - | 18 |
| **Total** | **-** | **18** | **-** | **18** |

(₹ crores)

| As of March 31, 2016: | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Mutual fund units | 1,767 | - | - | 1,767 |
| Equity shares | - | - | 169 | 169 |
| Corporate debentures and bonds | - | 40 | - | 40 |
| Government securities | 20,355 | - | - | 20,355 |
| Certificate of deposits | - | 491 | - | 491 |
| Derivative financial assets | - | 537 | - | 537 |
| **Total** | **22,122** | **1,068** | **169** | **23,359** |
| **Financial liabilities:** | | | | |
| Derivative financial liabilities | - | 152 | - | 152 |
| **Total** | **-** | **152** | **-** | **152** |

(₹ crores)

| As of April 1, 2015: | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Mutual fund units | 1,508 | - | - | 1,508 |
| Equity shares | 4 | - | 162 | 166 |
| Corporate debentures and bonds | - | 25 | - | 25 |
| Government securities | 55 | - | - | 55 |
| Inter-corporate deposits | | | | |
| Derivative financial assets | - | 365 | - | 365 |
| **Total** | **1,567** | **390** | **162** | **2,119** |
| **Financial liabilities:** | | | | |
| Derivative financial liabilities | - | 20 | - | 20 |
| **Total** | **-** | **20** | **-** | **20** |

**b) Derivative financial instruments and hedging activity**

The Group's revenue is denominated in foreign currency predominantly US Dollar, Sterling Pound and Euro. In addition to these currencies, the Group 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 Group to currency fluctuations.

The Group 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 and its subsidiaries 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 and its subsidiaries can enter into contracts for a period between one day and eight years.

The Company and its subsidiaries 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:

| | September 30,2016 | | | March 31,2016 | | | April 1,2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| Foreign currency | No. of contracts | Notional amount of contracts (million) | Fair value (₹ crores) | No. of contracts | Notional amount of contracts (million) | Fair value (₹ crores) | No. of contracts | Notional amount of contracts (million) | Fair value (₹ crores) |
| U.S. Dollar | - | - | - | 9 | 225 | 41 | - | - | - |
| Sterling Pound | 33 | 495 | 93 | 8 | 160 | 52 | 18 | 297 | 67 |
| Euro | 21 | 351 | 31 | 24 | 285 | 20 | 9 | 171 | 88 |
| Australian Dollar | 9 | 90 | 8 | 21 | 228 | (12) | 6 | 97 | 31 |

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

(₹ crores)

| | Period ended September 30, 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 | 303 | (96) | 250 | (339) |
| Deferred tax on fair value of effective portion of cash flow hedges | (41) | 13 | (32) | 44 |
| (Gains)/losses transferred to the statement of profit and loss on occurrence of forecasted hedge transactions | (328) | 115 | (323) | 318 |
| Deferred tax on (gains)/losses transferred to the statement of profit and loss on occurrence of forecasted hedge transactions | 44 | (15) | 42 | (41) |
| Balance at the end of the period | 46 | (2) | 68 | (19) |

Net gain on derivative instruments of ₹ 44 crores recognised in Hedging Reserve as of September 30, 2016, is expected to be transferred to the statement of profit and loss by September 30, 2017.

In addition to the above cash flow hedges, the Group has outstanding foreign exchange forwards, option and futures contracts with notional amount aggregating ₹ 20,735 crores (March 31, 2016: ₹ 22,144 crores, April 1, 2015: ₹ 19,949 crores) whose fair value showed a gain of ₹ 423 crores as at September 30, 2016 (March 31, 2016 : gain of ₹ 284 crores, April 1, 2015: ₹ 159 crores). Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting.

Exchange gain of ₹ 476 crores and exchange gain of ₹ 702 crores (September 30, 2015 :Exchange gain of ₹ 65 crores and exchange loss of ₹ 176 crores) on foreign exchange forwards, option and futures contracts for the quarter ended and six months ended September 30, 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 Group's chief operating decision maker is the Chief Executive Officer and Managing Director.

The Group 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 Group has reclassified Hi-Tech segments to the Communication, Media and Technology (previous 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.

**Quarter ended September 30, 2016** (₹ crores)

| **Particulars** | **Business segments** | | | | | |
|---|---|---|---|---|---|---|
| | **Banking, Financial Services and Insurance** | **Manufacturing** | **Retail and Consumer Business** | **Communication, Media and Technology** | **Others** | **Total** |
| **Revenue** | 11,821 | 3,133 | 5,080 | 4,893 | 4,357 | **29,284** |
| **Segment result** | 3,350 | 865 | 1,488 | 1,440 | 951 | **8,094** |
| Total Unallocable expenses | | | | | | 482 |
| **Operating income** | | | | | | **7,612** |
| Other income (net) | | | | | | 1,057 |
| Profit before taxes | | | | | | **8,669** |
| Tax expense | | | | | | 2,066 |
| **Profit for the period** | | | | | | **6,603** |

**Six months ended September 30, 2016** (₹ crores)

| **Particulars** | **Business segments** | | | | | |
|---|---|---|---|---|---|---|
| | **Banking, Financial Services and Insurance** | **Manufacturing** | **Retail and Consumer Business** | **Communication, Media and Technology** | **Others** | **Total** |
| **Revenue** | 23,656 | 6,183 | 10,323 | 9,769 | 8,658 | 58,589 |
| **Segment result** | 6,519 | 1,710 | 2,885 | 2,796 | 1,998 | 15,908 |
| Total Unallocable expenses | | | | | | 961 |
| **Operating income** | | | | | | **14,947** |
| Other income (net) | | | | | | 2,032 |
| Profit before taxes | | | | | | **16,979** |
| Tax expense | | | | | | 4,058 |
| **Profit for the period** | | | | | | **12,921** |

**As at September 30, 2016** (₹ crores)

| Particulars | Business segments | | | | | |
|---|---|---|---|---|---|---|
| | Banking, Financial Services and Insurance | Manufacturing | Retail and Consumer Business | Communication, Media and Technology | Others | Total |
| **Segment assets** | 11,064 | 3,267 | 5,354 | 5,431 | 6,901 | **32,017** |
| Unallocable assets | | | | | | 61,219 |
| **Total assets** | | | | | | **93,236** |
| **Segment liabilities** | 1,551 | 159 | 422 | 423 | 602 | **3,157** |
| Unallocable liabilities | | | | | | 13,336 |
| **Total liabilities** | | | | | | **16,493** |

**Quarter ended September 30, 2015** (₹ crores)

| Particulars | Business segments | | | | | |
|---|---|---|---|---|---|---|
| | Banking, Financial Services and Insurance | Manufacturing | Retail and Consumer Business | Communication, Media and Technology | Others | Total |
| **Revenue** | 10,997 | 2,650 | 4,801 | 4,470 | 4,247 | **27,165** |
| **Segment result** | 3,323 | 728 | 1,372 | 1,269 | 1,109 | **7,801** |
| Total Unallocable expenses | | | | | | 456 |
| **Operating income** | | | | | | **7,345** |
| Other income (net) | | | | | | 683 |
| Profit before taxes | | | | | | **8,028** |
| Tax expense | | | | | | 1,935 |
| **Profit for the period** | | | | | | **6,093** |

**Six months ended September 30, 2015** (₹ crores)

| Particulars | Business segments | | | | | |
|---|---|---|---|---|---|---|
| | Banking, Financial Services and Insurance | Manufacturing | Retail and Consumer Business | Communication, Media and Technology | Others | Total |
| **Revenue** | 21,407 | 5,191 | 9,260 | 8,809 | 8,166 | **52,833** |
| **Segment result** | 6,439 | 1,381 | 2,602 | 2,483 | 2,075 | **14,980** |
| Total Unallocable expenses | | | | | | 894 |
| **Operating income** | | | | | | **14,086** |
| Other income (net) | | | | | | 1,462 |
| Profit before taxes | | | | | | **15,548** |
| Tax expense | | | | | | 3,682 |
| **Profit for the period** | | | | | | **11,866** |

| **As at September 30, 2015** | | | | | | (₹ crores) |
|---|---|---|---|---|---|---|
| **Particulars** | **Business segments** | | | | | |
| | **Banking, Financial Services and Insurance** | **Manufacturing** | **Retail and Consumer Business** | **Communication, Media and Technology** | **Others** | **Total** |
| **Segment assets** | 10,670 | 2,610 | 4,540 | 4,792 | 6,399 | **29,011** |
| Unallocable assets | | | | | | 47,561 |
| **Total assets** | | | | | | **76,572** |
| **Segment liabilities** | 1,513 | 156 | 334 | 376 | 705 | **3,084** |
| Unallocable liabilities | | | | | | 12,231 |
| **Total liabilities** | | | | | | **15,315** |

28) **COMMITMENTS AND CONTINGENT LIABILITIES**

| | | | (₹ crores) |
|---|---|---|---|
| | **As at September 30,2016** | **As at March 31, 2016** | **As at April 1, 2015** |
| Claims against the group not acknowledged as debt (see (a) below) | 6,543 | 7,017 | 192 |
| Income tax demands(see (b) below) | 7,450 | 7,957 | 3,905 |
| Indirect tax demands(see (c) below) | 251 | 193 | 170 |

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 ₹ 6,263 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, April 1, 2015: ₹ 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, April 1, 2015: ₹ 9 crores), not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

d) 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.

e) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 1,794 (March 31, 2016: ₹ 1,457 crores, April 1, 2015: ₹ 1,878 crores).

f) The Group 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.

29) **SUBSEQUENT EVENT**

The Board of Directors at its meeting held on October 13, 2016 has recommended an interim dividend of ₹ 6.50 per equity share.