Audited standalone financial statements
for the year ended 31 March 2020

STANDALONE BALANCE SHEET

(₹ million)

	Notes	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,306.95	886.05
Capital work-in-progress		72.67	15.77
Right-of-use assets	4	4,939.67	-
Other intangible assets	5	97.27	90.35
Intangible assets under development		-	13.41
Financial assets			
Investments	6	14,997.93	14,982.29
Trade receivables	7	-	10.60
Loans	8	612.74	702.06
Other financial assets	9	151.78	612.10
Deferred tax assets (net)	22	1,922.47	712.01
Income tax assets (net)	22	4,118.10	4,402.10
Other assets	10	1,238.48	840.87
Total non-current assets		**29,458.06**	**23,267.61**
Current assets			
Financial assets			
Investments	11	3,166.79	5,864.70
Trade receivables	7	7,684.46	5,017.52
Unbilled receivables		3,596.83	2,818.67
Cash and cash equivalents	12	7,485.30	1,438.31
Bank balances other than cash and cash equivalents	13	-	27.03
Loans	8	1,158.28	1,032.18
Other financial assets	9	584.67	1,134.84
Other assets	10	1,989.24	2,176.20
Total current assets		**25,665.57**	**19,509.45**
TOTAL ASSETS		**55,123.63**	**42,777.06**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,865.43	1,862.26
Other equity	15	34,906.59	30,773.97
Total equity		**36,772.02**	**32,636.23**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Lease liabilities		4,853.38	-
Other financial liabilities	16	627.52	39.57
Employee benefit obligations	17	687.76	778.59
Other liabilities	18	-	91.52
Total non-current liabilities		**6,168.66**	**909.68**
Current liabilities			
Financial liabilities			
Borrowings	19	2,345.62	2,383.10
Lease liabilities		951.04	-
Trade payables	20		
- outstanding dues to micro and small enterprises		5.07	4.87
- outstanding dues to creditors other than micro and small enterprises		5,028.00	3,321.10
Other financial liabilities	16	2,750.84	1,786.13
Employee benefit obligations	17	187.06	180.52
Provisions	21	55.34	83.23
Income tax liabilities (net)	22	311.59	1,101.03
Other liabilities	18	548.39	371.17
Total current liabilities		**12,182.95**	**9,231.15**
TOTAL EQUITY AND LIABILITIES		**55,123.63**	**42,777.06**

Summary of significant accounting policies. 2
The accompanying notes are an integral part of the standalone financial statements.
As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
13 May 2020

Bengaluru
13 May 2020

Bengaluru

STANDALONE STATEMENT OF PROFIT AND LOSS

	Notes	Year ended 31 March 2020	Year ended 31 March 2019
			(₹ million)
Income			
Revenue from operations	23	43,471.39	34,340.19
Other income	24	3,232.90	1,185.86
Total income (I)		**46,704.29**	**35,526.05**
Expenses			
Employee benefits expense	25	16,621.10	14,411.37
Finance costs	26	630.43	66.74
Depreciation and amortization expense	27	1,532.43	383.85
Other expenses	28	14,043.96	10,937.09
Total expenses (II)		**32,827.92**	**25,799.05**
Profit before tax (III) [(I)-(II)]		**13,876.37**	**9,727.00**
Tax expenses	22		
Current tax		2,029.91	1,994.99
Deferred tax		(204.09)	37.68
Total tax expenses		**1,825.82**	**2,032.67**
Profit for the year (A)		**12,050.55**	**7,694.33**
Other comprehensive income / (losses) ('OCI')			
Items to be reclassified to profit or loss in subsequent periods			
Net change in fair value of derivatives designated as cash flow hedges		(1,877.62)	227.90
Income tax effect on the above		656.11	(79.64)
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement gains / (losses) on defined employee benefit plans		41.97	0.49
Income tax effect on the above		(14.67)	(0.17)
Total OCI for the year, net of tax (B)		**(1,194.21)**	**148.58**
Total comprehensive income for the year (A+B)		**10,856.34**	**7,842.91**
Earnings per equity share (par value ₹ 10 per share)	29		
Basic (₹)		64.66	40.18
Diluted (₹)		64.17	39.78

Summary of significant accounting policies. 2
The accompanying notes are an integral part of the standalone financial statements.
As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
13 May 2020

Bengaluru
13 May 2020

Bengaluru

STANDALONE STATEMENT OF CHANGES IN EQUITY

a. Equity share capital

Equity shares of ₹ 10 each issued, subscribed and fully paid	No. in million	₹ million
As at 1 April 2018	193.26	1,932.67
Issue of shares	0.28	2.80
Equity shares extinguished on buy back [refer note 14(d)(ii)(b)]	(7.32)	(73.21)
As at 31 March 2019	**186.22**	**1,862.26**
As at 1 April 2019	186.22	1,862.26
Issue of shares	0.32	3.17
As at 31 March 2020	**186.54**	**1,865.43**

b. Other equity

(₹ million)

	Attributable to the equity owners of the Company								
	Reserves and surplus							Items of OCI	
	a	b	c	d	e	f	g	h	
	Securities Premium	**General reserve**	**Retained earnings**	**Capital reserve**	**Capital redemption reserve**	**Special Economic Zone re-investment reserve**	**Share based payments**	**Hedging reserve**	**Total**
As at 1 April 2018	**95.18**	**742.07**	**35,308.68**	**265.16**	**173.70**	**-**	**318.23**	**238.55**	**37,141.57**
Profit for the year	-	-	7,694.33	-	-	-	-	-	**7,694.33**
Other comprehensive income	-	-	0.32	-	-	-	-	148.26	**148.58**
Dividends *	-	-	(4,661.87)	-	-	-	-	-	**(4,661.87)**
Buy back of equity shares [refer note 14(d)(ii)(b)]	(176.59)	(743.89)	(8,962.27)	-	73.21	-	-	-	**(9,809.54)**
Buy back expenses	-	-	(66.44)	-	-	-	-	-	**(66.44)**
Transfer to general reserve	-	769.43	(769.43)	-	-	-	-	-	-
Transferred to Special Economic Zone re-investment reserve	-	-	(1,411.16)	-	-	1,411.16	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	416.98	-	-	(416.98)	-	-	-
Issue of bonus shares	-	-	(0.01)	-	-	-	-	-	**(0.01)**
Share based expenses	-	-	-	-	-	-	226.45	-	**226.45**
Issue of shares on exercise of stock options	150.67	1.93	-	-	-	-	(51.70)	-	**100.90**
As at 31 March 2019	**69.26**	**769.54**	**27,549.13**	**265.16**	**246.91**	**994.18**	**492.98**	**386.81**	**30,773.97**
As at 1 April 2019	**69.26**	**769.54**	**27,549.13**	**265.16**	**246.91**	**994.18**	**492.98**	**386.81**	**30,773.97**
Transition impact of Ind AS 116 **	-	-	(953.34)	-	-	-	-	-	**(953.34)**
Restated balance as at 1 April 2019	**69.26**	**769.54**	**26,595.79**	**265.16**	**246.91**	**994.18**	**492.98**	**386.81**	**29,820.63**
Profit for the year	-	-	12,050.55	-	-	-	-	-	**12,050.55**
Other comprehensive income	-	-	27.30	-	-	-	-	(1,221.51)	**(1,194.21)**
Dividends *	-	-	(6,065.31)	-	-	-	-	-	**(6,065.31)**
Transfer to general reserve	-	1,205.06	(1,205.06)	-	-	-	-	-	-
Transferred to Special Economic Zone re-investment reserve	-	-	(1,390.63)	-	-	1,390.63	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	624.29	-	-	(624.29)	-	-	-
Share based expenses	-	-	-	-	-	-	146.70	-	**146.70**
Issue of shares on exercise of stock options	196.92	9.78	-	-	-	-	(58.47)	-	**148.23**
As at 31 March 2020	**266.18**	**1,984.38**	**30,636.93**	**265.16**	**246.91**	**1,760.52**	**581.21**	**(834.70)**	**34,906.59**

* Including dividend distribution tax thereon amounting to ₹ 1,034.18 million (31 March 2019: ₹ 794.88 million).

** Refer note 4

Pursuant to the requirements of Division II to Schedule III, below is the nature and purpose of each reserve:

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

b. **General reserve** - General reserve represents appropriation of profits. This represents a free reserve and is available for dividend distributions. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to the statement of profit and loss.

c. **Retained earnings** - Retained earnings comprises of prior and current year's undistributed earnings after tax.

d. **Capital reserve** - Represents receipts, during the year ended 31 October 2012 upon termination of Mphasis Employee Welfare Trust, in accordance with the Declaration of Trust made for administration of share-based payment plan in relation to erstwhile employees of Mphasis Corporation. The net assets of the Trust were transferred to the Company upon completion of its objectives in accordance with the provisions of the said Declaration of Trust. The same will be utilised for the purposes as permitted by the Companies Act, 2013.

e. **Capital Redemption Reserve ('CRR')** - Capital Redemption Reserve is created to the extent of the nominal value of the share capital extinguished on buyback of Company's own shares in accordance with Section 69 of the Companies Act, 2013. The reserve is utilized in accordance with the provisions of section 69 of the Companies Act, 2013.

f. **Special Economic Zone re-investment reserve** – The Special Economic Zone Re-investment Reserve has been created out of the profits of eligible SEZ units in accordance with the provisions of section 10AA(1)(ii) of Income Tax Act,1961. The reserve is required to be utilized by the Company for acquiring new plant and machinery for the purpose of its business.

g. **Share based payments** - Share based payments reserve is used to record the fair value of equity-settled share-based payment transactions with employees. The amounts recorded in this account are transferred to share premium upon exercise of stock options by employees.

h. **Hedging reserve** - Cumulative changes in the fair value of financial instruments designated and effective as a hedge are recognized in this reserve through OCI (net of taxes). Amounts recognized in the hedging reserve are reclassified to the statement of profit and loss when the underlying transaction occurs.

Summary of significant accounting policies. (Note 2)
The accompanying notes are an integral part of the standalone financial statements.
As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W/W-100022

Amit Somani
Partner
Membership No. 060154

Bengaluru
13 May 2020

for **and on behalf of the Board of Directors**

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer
Bengaluru
13 May 2020

Subramanian Narayan
Vice President &
Company Secretary
Bengaluru

STANDALONE STATEMENT OF CASH FLOWS

	Year ended 31 March 2020	Year ended 31 March 2019
		(₹ million)
Operating activities		
Profit before tax	**13,876.37**	**9,727.00**
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation and amortization expense	1,532.43	383.85
Utilization of the rent equalisation reserve	-	412.43
Profit on sale of property, plant and equipment and intangible assets	(15.46)	(23.17)
Net gain on investments carried at fair value through profit and loss	(380.86)	(706.40)
Share based payment expenses	39.58	79.76
Provision for expected credit loss	89.19	42.67
Provision against investment in subsidiary	-	4.38
Finance costs	630.43	66.74
Interest income	(386.25)	(102.11)
Dividend income	(2,021.82)	(0.04)
Others	(108.05)	(4.27)
Unrealized exchange (gain)/loss, net	(150.62)	87.76
Operating profit before changes in operating assets and liabilities	**13,104.94**	**9,968.60**
Changes in operating assets and liabilities		
Trade receivables and unbilled receivables	(3,193.03)	(419.29)
Loans	(168.28)	193.56
Other financial assets	487.33	191.30
Other assets	(400.04)	(139.40)
Trade payables	1,707.10	211.56
Other financial liabilities	380.90	825.01
Provisions and employee benefit obligations	(70.21)	(112.43)
Other liabilities	178.19	(185.74)
Total changes in operating assets and liabilities	**(1,078.04)**	**564.57**
Income tax paid (net of refunds)	(2,596.99)	(2,077.27)
Net cash flows generated from operating activities (A)	**9,429.91**	**8,455.90**
Investing activities		
Purchase of property, plant and equipment and intangible assets	(913.77)	(702.16)
Proceeds from sale of property, plant and equipment and intangible assets	17.11	28.73
Purchase of investments	(55,705.05)	(50,331.68)
Sale of investments	58,768.18	55,440.85
Interest received	176.34	131.12
Dividends received	2,021.82	0.04
Re-investment of dividend	-	(0.04)
Investments in bank deposits	(70.00)	(187.18)
Redemption / maturity of bank deposits	27.01	163.15
Net cash flows generated from investing activities (B)	**4,321.64**	**4,542.83**
Financing activities		
Proceeds from issue of shares	151.40	103.69
Payment towards buy back of shares (including buy-back expenses ₹ 66.44) [refer note 14(d)(ii)(b)]	-	(9,949.19)
Repayment of borrowings	(5,841.60)	(1,371.13)
Availment of borrowings	5,587.49	2,393.99
Interest paid	(599.07)	(58.83)
Repayment of lease liabilities	(937.53)	-
Dividends paid	(6,065.25)	(4,654.82)
Net cash flows used in financing activities (C)	**(7,704.56)**	**(13,536.29)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**6,046.99**	**(537.56)**
Cash and cash equivalents at the beginning of the year	1,438.31	1,975.87
Cash and cash equivalents at the end of the year (refer note 12)	**7,485.30**	**1,438.31**

Refer note 19 for supplementary information on cash flow movement

Summary of significant accounting policies. (Note 2)

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W/W-100022

Amit Somani
Partner
Membership No. 060154

Bengaluru
13 May 2020

for **and on behalf of the Board of Directors**

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer
Bengaluru
13 May 2020

Subramanian Narayan
Vice President
& Company Secretary
Bengaluru

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mphasis Limited ('the Company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The shares of the Company are listed on two recognised stock exchanges in India. The registered office of the Company is in Bengaluru, India.

Mphasis Limited, a global Information Technology (IT) solutions provider specializing in providing cloud and cognitive services, applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach. Front2Back™ uses the exponential power of cloud and cognitive to provide hyper-personalized digital experience to clients and their end customers.

The standalone financial statements for the year ended 31 March 2020 have been approved by the Board of Directors on 13 May 2020.

The standalone financial statements comprise the financial statements of the Company and its controlled employee benefit trusts.

Mphasis Limited is the sponsoring entity of Employee Stock Option Plan ('ESOP') trusts. Management of the Company can appoint and remove the trustees and provide funding to the trust for buying the shares. Basis assessment by the management, it believes that the ESOP trusts are designed to be controlled by the Company as an extension arm of the Company.

List of Trusts that are consolidated

- Mphasis Employees Benefit Trust.
- Mphasis Employees Equity Reward Trust.

Statement of compliance

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The standalone financial statements have been prepared on a historical cost convention and on an accrual basis of accounting, except for the following assets and liabilities which have been measured at fair value.

- Derivative financial instruments.
- Investments classified as Fair Value Through Profit or Loss ('FVTPL').
- Fair value of plan assets less present value of defined benefit obligations.

The standalone financial statements are presented in INR ('₹') and all the values are rounded off to the nearest million (INR 000,000) except when otherwise indicated.

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

The Company has consistently applied the following accounting policies to all periods presented in these standalone financial statements, except for the adoption of Ind AS 116 – Leases, which was adopted with effect from 1 April 2019.

Use of estimates, assumptions and judgements

The preparation of the standalone financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the standalone financial statements and the reported amounts of revenues and expenses for the year. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate change in estimates are made as management become aware of changes in circumstances surrounding the estimates. Revisions to accounting estimates are recognised in the year in which the estimates are revised.

Application of accounting policies that require critical accounting estimates involving judgments and the use of assumptions in the standalone financial statements have been disclosed below:

- **Impairment of non-financial assets**

  Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow ('DCF') model. The cash flows are derived from the forecast for future years. These do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance or the CGU being tested for impairment. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the long-term growth rates. These estimates are most relevant to other intangibles with indefinite useful lives recognized by the Company.

- **Taxes**

  The Company's major tax jurisdictions is in India. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates and reflects uncertainties relating to income taxes, if any. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. A tax assessment could involve complex issues, which can only be resolved over extended time periods (refer note 22).

  Deferred tax assets are recognized for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

- **Defined benefit plans**

  The cost of the defined benefit gratuity plan, compensated absences and the present value of the defined benefit obligation are determined based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, future attrition rates and mortality rates. Due to the complexities involved in the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date (refer note 36).

  The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, management considers the interest rates of Government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

  The mortality rate is based on publicly available mortality tables. These mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates.

- **Fair value measurement of financial instruments**

  When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, the fair value is measured using internal valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

- **Useful lives of property, plant and equipment**

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

- **Leases**

  The Company evaluates if an arrangement qualifies to be a lease based on the requirements of the relevant standard. Identification of a lease requires significant management judgment. Computation of the lease liabilities and right-to-use assets requires management to estimate the lease term (including anticipated renewals) and the applicable discount rate. Management estimates the lease term based on past practices and reasonably estimated / anticipated future events. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

- **Revenue recognition**

  Refer the below policy on revenue recognition for discussion on judgements and estimates on revenue.

Revenue recognition

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

The Company derives its revenues primarily from rendering application development and maintenance services, infrastructure outsourcing services, call centre and business & knowledge process outsourcing operations and licensing arrangements.

Effective 1 April 2018, the Company has applied Ind AS 115, the adoption of the standard did not have any material impact on the standalone financial statements of the Company.

- Revenue from rendering application development and maintenance services comprise income from time-and-material and fixed price contracts. Revenues from call center and business & knowledge process outsourcing operations arise from both time-based and unit-priced contracts. Revenues from infrastructure outsourcing services arise from time-based, unit-priced and fixed price contracts.
- Revenue from time and material, unit-priced contracts is recognized on an output basis, measured by units delivered, efforts expended etc.
- Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.
- Revenue from fixed price maintenance and support services contracts where the Company is standing ready to provide services is recognized based on time elapsed mode and revenue is straight-lined over the period of performance.
- Revenue from license transactions where customers are given a right to use intellectual property are recognised upfront at the point in time when the license is delivered to the customer, simultaneously with the transfer of control.
- Revenue from bundled contracts is recognized separately for each performance obligation based on their allocated transaction price.
- In cases where implementation and / or customisation services rendered significantly modifies or customises the license, these services and license are accounted for as a single performance obligation and revenue is recognised over time using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.
- Revenue from the sale of distinct third-party hardware is recognised at the point in time when control is transferred to the customer.

The solutions offered by the Company may include supply of third-party equipment or software. In such cases, revenue for supply of such third-party goods are recorded at gross or net basis depending on whether the Company is acting as the principal or as an agent of the customer. The Company recognises revenue in the gross amount of consideration when it is acting as a principal and at net amount of consideration when it is acting as an agent.

Revenue from sale of services is measured based on the transaction price, which is the consideration, adjusted for discounts and pricing incentives, if any, as specified in the contract with the customer. Sales tax / Value Added Tax (VAT) / Goods and Services Tax ('GST') is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity / service rendered by the seller on behalf of the Government. Accordingly, it is excluded from revenues.

The Company recognises an onerous contract provision when it is probable that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received

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

Unearned and deferred revenue ("contract liability") is recognised when there are billings in excess of revenues. The billing schedules agreed with customers could include periodic performance-based payments and/or milestone-based progress payments. Invoices are payable within contractually agreed credit period. Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Contract modifications: Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

Use of significant judgements in revenue recognition

- The Company's contracts with customers could include promises to transfer multiple goods and services to a customer. The Company assesses the goods / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. The Company has applied the practical expedient provided by Ind AS 115, whereby the Company does not adjust the transaction price for the effects of the time value of money where the period between when the control on goods and services transferred to the customer and when payment thereof is due, is one year or less. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct good or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost-plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how a customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such good or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Use of the percentage-of completion method in accounting for its fixed-price contracts requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Judgement is also exercised in determining provisions for estimated losses, if any, on uncompleted contracts based on the expected contract cost estimates as at the reporting date.
- Contract fulfilment costs are generally expensed as incurred except for certain costs which meet the criteria for capitalisation. The assessment of this criteria requires the application of judgement, in particular, when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

Interest income is recognized as it accrues in the standalone statement of profit and loss using effective interest rate method.

Dividend income is recognized when the right to receive the dividend is established.

The Company disaggregates revenue from contracts with customers by segment, geography, services rendered, delivery location and project type (refer note 34).

Property, plant and equipment and intangible assets

Property, plant and equipment are stated at the cost of acquisition or construction less accumulated depreciation and write down for, impairment if any. Direct costs are capitalised until the assets are ready to be put to use. Cost includes expenditure directly attributable to the acquisition. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in the statement of profit and loss as incurred. Property, plant and equipment purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase.

The Company identifies and determines cost of each component / part of property, plant and equipment separately, if the component/ part has a cost which is significant to the total cost of the property, plant and equipment and has useful life that is materially different from that of the remaining asset.

Intangible assets purchased are measured at cost or fair value as of the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any. The amortization period and the amortization method are reviewed at least at each financial year end. Internally developed intangible assets are stated at cost that can be measured reliably during the development phase and capitalised when it is probable that future economic benefits that are attributable to the assets will flow to the Company.

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the assets. Leasehold land is amortised over the lease term. Freehold land is not depreciated.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are disclosed under 'other assets'. The cost of property, plant and equipment not ready to use before the balance sheet date is disclosed under 'Capital work in progress'.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of property, plant and equipment and intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of property, plant and equipment and are recognized in the statement of profit and loss when the property, plant and equipment is derecognized.

Depreciation and amortization

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by management. Intangible assets are amortised on a straight-line basis over the estimated useful economic life. Depreciation / amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate. The useful lives estimated by management are given below:

(In Years)

Asset	Useful life as per Companies Act, 2013	Useful life estimated by management
Computer equipment	3	3
Furniture and fixtures	10	5
Lease hold improvements	Not Applicable	10 or remaining lease term whichever is less
Office equipment	5	5
Plant and equipment	15	4 to 7
Server and networks	6	6
Vehicles	8	5
Software	As per Ind AS 38	3 to 7

In respect of plant and equipment, furniture and fixtures and vehicles, management, basis internal assessment of usage pattern believes that the useful lives as mentioned above best represent the period over which management expects to use these assets. Hence the useful lives in respect of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Project specific assets are depreciated over the period of contract or useful life of the asset, whichever is lower.

Leases

Policy applicable with effect from 1 April 2019

Company as a lessee

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located.

The right-of-use asset is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the standalone statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate applicable to the entity within the Company. Generally, the Company uses its incremental borrowing rate as the discount rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Company recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in standalone statement of profit and loss.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of all assets that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Company as a lessor

When the Company acts as a lessor at the inception, it determines whether each lease is a finance lease or an operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short - term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and non-lease components, the Company applies Ind AS 115-Revenue to allocate the consideration in the contract.

Transition to Ind AS 116

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

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

Company as a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under Ind AS 116, the Company recognizes right of use assets and lease liabilities for most leases i.e. these leases are on balance sheet.

On transition, the Company has applied following practical expedients:

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with similar end date.
- Applied the exemption not to recognise right-of-use-assets and liabilities for leases with less than 12 months of lease term on the date of transition.
- Excluded the initial direct costs from the measurement of the right-of -use-asset at the date of transition.
- Grandfathered the assessment of which transactions are, or contain leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.
- Relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company has also applied recognition exemptions of short-term leases to all categories of underlying assets.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. Refer note 4 for details on impact due to Ind AS 116 application.

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

Company as a lessor

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

Policy applicable before 1 April 2019

Refer note 2 – Significant accounting policies – Leases in annual report of the Company for the year ended 31 March 2019, for the policy as per Ind AS 17, the previous standard on leases.

Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

Impairment

a. Financial assets (other than at fair value)

For financial assets measured at amortised cost, debt instruments at fair value through other comprehensive income, trade receivables and other financial assets, the Company assesses at each date of balance sheet whether the asset is impaired. Ind AS 109 ('Financial instruments') requires expected credit losses to be measured through a loss allowance. Expected credit loss is the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted using the effective interest rate. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables. 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 lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company provides for impairment upon the occurrence of the triggering event.

b. Non-financial assets

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

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of the following:

- financial assets, which include cash and cash equivalents, deposits with banks, trade receivables, unbilled receivables, investments in equity and debt securities and eligible current and non-current assets;
- financial liabilities, which include long and short-term loans and borrowings, finance lease liabilities, bank overdrafts, trade payables, eligible current and non-current liabilities.

Non-derivative financial instruments are recognised when the Company becomes a party to the contract that gives rise to financial assets and liabilities. 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.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

a. Cash and cash equivalents

The Company's cash and cash equivalents consist of cash on hand and in banks and demand deposits with banks with an original maturity of less than or up to three months. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system.

b. Financial assets at amortised cost

Financial assets (except for debt instruments that are designated at fair value through Profit or Loss (FVTPL) on initial recognition) 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. Trade receivables which are subject to non-recourse factoring arrangements are derecognized in accordance with Ind AS 109 and are offset in accordance with Ind AS 32.

c. Financial assets at fair value through other comprehensive income

Financial assets (except for debt instruments that are designated at fair value through Profit or Loss (FVTPL) on initial recognition) are measured at fair value through other comprehensive income ('FVTOCI') 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. Interest income is recognized in the standalone statement of profit or loss for FVTOCI debt instruments. Other changes in fair value of FVTOCI financial assets are recognized in other comprehensive income. When the investment is disposed of, the cumulative gain or loss previously accumulated in reserves is transferred to the standalone statement of profit and loss.

d. Financial assets at fair value through profit or loss

Financial assets are measured at FVTPL unless it is measured at amortised cost or at FVTOCI on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognised in standalone statement of profit and loss. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the standalone statement of profit and loss. The gain or loss on disposal is recognized in the standalone statement of profit and loss.

Interest income is recognized in the standalone statement of profit and loss for FVTPL debt instruments. Dividend on financial assets at FVTPL is recognized when the Company's right to receive dividend is established.

e. Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest rate method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets and liabilities. The Company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

Derivatives are recognized and measured at fair value. Attributable transaction costs are recognized in standalone statement of profit and loss as expenses.

Subsequent to initial recognition, derivative financial instruments are measured as described below.

a. Cash flow hedges

The Company designates certain foreign exchange forward contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the standalone statement of profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognized in cash flow hedging reserve till the period the hedge was effective remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the net profit in the standalone statement of profit and loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedging reserve is reclassified to the standalone statement of profit and loss.

b. Others

Changes in fair value of foreign currency derivative instruments not designated as cash flow hedges are recognized in the standalone statement of profit and loss and reported within foreign exchange gains, net.

Changes in fair value and gains/(losses) on settlement of foreign currency derivative instruments relating to borrowings, which have not been designated as hedges are recorded as foreign exchange gains/ (losses).

c. De-recognition of financial instruments

Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset. A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

d. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amounts are presented in the standalone balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

e. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (refer note 38).

When a quote is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

f. Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 for the assets or liabilities that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Retirement and other employee benefits

a. Employee benefits

Employee benefits are accrued in the period in which the associated services are rendered by employees of the Company. Contributions to defined contribution schemes such as Provident Fund, Employee State Insurance Scheme and other social security schemes are charged to the standalone statement of profit or loss on an accrual basis.

b. Gratuity

The Company has a defined benefit gratuity plan that provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment in accordance with "The Payment of Gratuity Act, 1972". The amount is based on the respective employee's last drawn salary and the tenure of employment with the Company.

Gratuity, which is a defined benefit plan, is determined based on an independent actuarial valuation, which is carried out based on the project unit credit method. The Company recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability / (asset) are recognized in other comprehensive income (OCI). In accordance with Ind AS, re-measurement gains and losses on defined benefit plans recognised in OCI are not to be subsequently reclassified to standalone statement of profit and loss. As required under Ind AS read with Schedule III to Companies Act, 2013, the Company transfers it immediately to retained earnings. The discount rate is based on the yield of securities issued by the Government of India.

c. Compensated absences

The Company has a policy on compensated absences that is both accumulating and non-accumulating in nature. Non-accumulating compensated absences are measured on an undiscounted basis and are recognized in the period in which absences occur. The cost of short term compensated absences are provided for based on estimates. The expected cost of accumulating compensated absences is determined by actuarial valuation at each balance sheet date measured based on the amounts expected to be paid / availed as a result of the unused entitlement that has accumulated at the balance sheet date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefits for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the standalone statement of profit and loss. The Company presents the entire obligation for compensated absences as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement beyond 12 months from the reporting date.

d. Provident fund

Mphasis Limited has established a Provident Fund Trust to which contributions towards provident fund are made on a monthly basis. The Provident Fund Trust guarantees a specified rate of return on such contributions on a periodical basis. The contributions to the trust managed by the Company is accounted for as a defined benefit plan as the Company is liable for any shortfall in the fund assets based on the Government specified minimum rates of return.

Share based payments

The Company measures compensation cost relating to share-based payments using the fair valuation method in accordance with Ind AS 102, Share-Based Payment. Compensation expense is amortized over the vesting period of the option on a straight-line basis. The units generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model. The expected term of an option is estimated based on the vesting term and contractual life of the option. Expected volatility during the expected term of the option is based on the historical volatility of similar companies. Risk free interest rates are based on the government securities yield in effect at the time of the grant.

The cost of equity settled transactions is recognised, together with a corresponding increase in share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. Debit or credit in standalone statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Foreign Currencies

Transactions and balances

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 restatement of foreign currency denominated monetary assets and liabilities are included in the standalone statement of profit and loss. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at an exchange rate that approximates the rate prevalent on the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

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

- **Current income tax**

  Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for that period and reflects the uncertainty related to income tax, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

- **Deferred income tax**

  Deferred income tax assets and liabilities is recognised using the balance sheet approach. Deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, 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. The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 utilized.

  Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 utilized.

  Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as an income or expense in the period that includes the enactment or substantive enactment date.

  Deferred income taxes are not provided on the undistributed earnings of subsidiaries where it is expected that the earnings of the subsidiary will not be distributed in the foreseeable future.

  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 recognized 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 realized. In the year in which the MAT credit becomes eligible to be recognized as an asset, it is recorded by way of a credit to the standalone statement of profit and loss and shown as deferred tax assets. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified future period.

  For operations carried out in SEZ facilities, 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 do not reverse during the tax holiday period(s).

  Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation (legal or constructive) as result of past event and it is probable that an outflow embodying economic benefits of resources will be required to settle the obligation. Provisions are determined based on best estimates required to settle each obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the standalone financial statements.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the Company's owners for the year by the weighted average number of equity shares outstanding during the year adjusted for treasury shares held.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

Cash dividend to the equity holders of the company

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised, and the distribution is no longer at the discretion of the Company. Final dividends on shares is recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. When the grant relates to a capital asset, it is presented by deducting the grant in arriving at the carrying amount of the asset. Government grants related to revenue are recognized on a systematic basis in net profit in the standalone statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate.

Recent Indian Accounting Standards

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1 April 2020.

3. PROPERTY, PLANT AND EQUIPMENT

(₹ million)

	Plant and equipment	Computer equipment	Servers and networks	Office equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total
Cost								
At 1 April 2018	**91.28**	**451.21**	**295.50**	**71.81**	**33.99**	**66.69**	**72.60**	**1,083.08**
Additions	37.55	144.29	115.56	49.19	39.69	-	285.89	**672.17**
Disposals	(7.24)	(6.80)	(1.31)	(0.66)	(2.40)	(16.32)	(0.92)	**(35.65)**
At 31 March 2019	**121.59**	**588.70**	**409.75**	**120.34**	**71.28**	**50.37**	**357.57**	**1,719.60**
Additions	16.38	374.50	114.27	54.10	39.41	-	198.00	**796.66**
Disposals	(4.74)	(2.85)	(0.78)	(1.70)	(4.16)	(12.66)	(0.26)	**(27.15)**
At 31 March 2020	**133.23**	**960.35**	**523.24**	**172.74**	**106.53**	**37.71**	**555.31**	**2,489.11**
Depreciation								
At 1 April 2018	**41.73**	**245.62**	**118.20**	**35.72**	**20.17**	**33.20**	**59.40**	**554.04**
Charge for the year	23.65	161.66	53.43	17.73	7.27	11.42	34.44	**309.60**
Disposals	(6.73)	(6.01)	(1.31)	(0.62)	(2.10)	(12.40)	(0.92)	**(30.09)**
At 31 March 2019	**58.65**	**401.27**	**170.32**	**52.83**	**25.34**	**32.22**	**92.92**	**833.55**
Charge for the year	18.13	184.70	72.50	27.09	16.25	8.91	46.53	**374.11**
Disposals	(4.54)	(2.75)	(0.54)	(1.62)	(4.13)	(11.66)	(0.26)	**(25.50)**
At 31 March 2020	**72.24**	**583.22**	**242.28**	**78.30**	**37.46**	**29.47**	**139.19**	**1,182.16**
Net block								
At 31 March 2019	**62.94**	**187.43**	**239.43**	**67.51**	**45.94**	**18.15**	**264.65**	**886.05**
At 31 March 2020	**60.99**	**377.13**	**280.96**	**94.44**	**69.07**	**8.24**	**416.12**	**1,306.95**

4. LEASES

RIGHT-OF-USE ASSETS

	Buildings	Plant and equipment	Servers and networks	Furniture and fixtures	Vehicles	Total
Cost						
At 1 April 2019	4,201.35	574.92	18.35	27.41	17.79	**4,839.82**
Additions	1,529.40	17.27	-	-	9.67	**1,556.34**
Modifications / terminations	(434.22)	-	-	-	(2.00)	**(436.22)**
At 31 March 2020	**5,296.53**	**592.19**	**18.35**	**27.41**	**25.46**	**5,959.94**
Depreciation						
At 1 April 2019	-	-	-	-	-	-
Charge for the year	696.63	342.67	16.45	17.43	7.92	**1,081.10**
Modifications / terminations	(60.26)	-	-	-	(0.57)	**(60.83)**
At 31 March 2020	**636.37**	**342.67**	**16.45**	**17.43**	**7.35**	**1,020.27**
Net block as at 31 March 2020	**4,660.16**	**249.52**	**1.90**	**9.98**	**18.11**	**4,939.67**

On transition to Ind AS 116 with effect from1 April 2019, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at 1 April 2019. Accordingly, a right-of-use asset of ₹ 4,839.82 million and a corresponding lease liability of ₹ 5,800.57 million was recognised. The cumulative effect on transition in retained earnings, net of taxes amounted to ₹ 953.34 million (including the deferred tax impact of ₹ 104.35 million). The principal portion of the lease payments have been disclosed under cash flows from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flows from operating activities. Applicable incremental borrowing rates have been applied to lease liabilities recognised in the standalone balance sheet at the date of initial application. The weighted average incremental borrowing rate of 8.62% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at 31 March 2019 compared to the lease liability as accounted as at 1 April 2019 is primarily attributable to the impact of discounting the future lease payments during the non-cancellable lease term to the present value thereof, including the present value of lease payments during the cancellable period (to the extent of lease term determined under Ind AS 116) and exclusion of leases for which the Company has chosen to apply the practical expedients available.

During the year ended 31 March 2020, the Company incurred expenses amounting to ₹ 357.53 million short-term leases and leases of low-value assets. For the year ended 31 March 2020, the total cash outflows for leases, including short-term leases and low-value assets amounted to ₹ 1,771.64 million.

Lease contracts entered into by the Company primarily pertains to buildings taken on lease to conduct its business in the ordinary course.

The following table presents the various components of lease costs: **(₹ million)**

	Year ended 31 March 2020
Depreciation	1,081.10
Interest on lease liabilities	476.58
	1,557.68

The Company has also subleased office space under cancellable operating lease agreements. The total sublease rental income under cancellable operating leases amounted to ₹ 77.44 million for the year ended 31 March 2020 (31 March 2019: ₹ 66.94 million). The total sublease rental income under non-cancellable operating leases for the year ended 31 March 2020 amounted to ₹ nil (31 March 2019: ₹ 9.30 million).

Impact of the Global Pandemic ('Covid-19')

The Company does not foresee any large-scale contraction in demand which could result in significant down-sizing of its employee base rendering the physical infrastructure redundant. The leases that the Company has entered into with lessors for buildings are long term in nature and no changes in terms of those leases are expected due to the Covid-19.

	As at 31 March 2020	**As at 31 March 2019**
5. OTHER INTANGIBLE ASSETS		
Software		
Cost		
Balance as per previous financial statements	331.43	294.79
Additions	84.14	49.71
Disposals	(0.03)	(13.07)
	415.54	**331.43**
Amortization		
Balance as per previous financial statements	241.08	179.90
Amortization	77.22	74.25
Disposals	(0.03)	(13.07)
	318.27	**241.08**
Net block	**97.27**	**90.35**

	As at 31 March 2020			As at 31 March 2019		
	Shares	**Per Share**	**₹ million**	**Shares**	**Per Share**	**₹ million**
6. NON-CURRENT INVESTMENTS						
Investments carried at cost						
Investments in unquoted equity instruments						
Investments in subsidiaries						
Mphasis Corporation	3,187	US $ 0.01	3,724.38	3,187	US $ 0.01	3,724.38
Mphasis Australia Pty Limited	2,000	AUD 1	0.05	2,000	AUD 1	0.05
Mphasis Consulting Limited	7,953,393	£ 0.002	685.65	7,953,393	£ 0.002	685.65
Mphasis Ireland Limited	10,000	€ 1	0.59	10,000	€ 1	0.59
Mphasis Belgium BV	62	€ 100	0.39	62	€ 100	0.39
Mphasis Poland s.p.z.o.o.	200	PLN 500	2.07	200	PLN 500	2.07
Mphasis Lanka Private Limited	1,095,584	LKR112.10	55.78	1,095,584	LKR112.10	55.78
Less: Provision for impairment in value of investment			(55.78)			(55.78)
PT Mphasis Indonesia	99,000	US $ 1	4.38	99,000	US $ 1	4.38
Less: Provision for impairment in value of investment			(4.38)			(4.38)
Mphasis Deutschland GmbH (Nominal capital of 91,000 Deutch Mark)	-	-	2.52	-	-	2.52
Less: Provision for impairment in value of investment			(2.52)			(2.52)
Mphasis (Shanghai) Software & Services Company Limited (100% equity interest)	-	-	105.35	-	-	105.35
Mphasis Europe BV	3,381,654	€ 1	9,647.64	3,381,654	€ 1	9,647.64
Investment in subsidiaries (A)			**14,166.12**			**14,166.12**
Investments carried at amortized cost						
Quoted bonds						
7.19% India Infrastructure Finance Company Limited	599,500	1,000	599.50	599,500	1,000	599.50
Quoted fixed maturity plan securities						
Aditya Birla Sun Life FTP – Series PH Direct Growth	20,000,000	11.6156	232.31	20,000,000	10.8334	216.67
Investments other than subsidaries (B)			**831.81**			**816.17**
Total non-current investments (A+B)			**14,997.93**			**14,982.29**
Aggregate value of unquoted non-current investments in subsidiaries			14,228.80			14,228.80
Aggregate value of quoted non-current investments			831.81			816.17
Aggregate amount of impairment in value of investments			(62.68)			(62.68)

(₹ million)

	Non-current		Current	
	As at 31 March 2020	**As at 31 March 2019**	**As at 31 March 2020**	**As at 31 March 2019**
7. TRADE RECEIVABLES				
Unsecured				
Trade receivables *	-	10.60	7,792.07	5,049.06
Allowance for doubtful receivables	-	-	(107.61)	(31.54)
Considered good	**-**	**10.60**	**7,684.46**	**5,017.52**
Trade receivables	-	-	407.64	371.00
Allowance for doubtful receivables	-	-	(407.64)	(371.00)
Credit impaired	-	-	-	-
	-	**10.60**	**7,684.46**	**5,017.52**

* Includes receivables from subsidiaries (refer note 31).

	Non-current		Current	
	As at 31 March 2020	**As at 31 March 2019**	**As at 31 March 2020**	**As at 31 March 2019**
8. LOANS				
Unsecured - considered good				
Deposits	612.74	702.06	1,031.83	1,010.22
Employee advances	-	-	126.45	21.96
	612.74	**702.06**	**1,158.28**	**1,032.18**

(₹ million)

	Non-current		Current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
9. OTHER FINANCIAL ASSETS				
Unsecured - considered good				
Bank balances (refer note 13)*	133.31	133.32	70.03	-
Accrued interest	-	-	26.36	15.39
Recoverable from subsidiaries (refer note 31)	-	-	154.21	581.90
Derivative assets	18.47	478.78	290.84	512.47
Others	-	-	43.23	25.08
	151.78	**612.10**	**584.67**	**1,134.84**

* Includes restricted deposits of ₹ 81.14 miliion (31 March 2019: ₹ 11.14 million).

	Non-current		Current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
10. OTHER ASSETS				
Unsecured - considered good				
Rent equalization reserve	-	5.63	-	53.62
Contract assets	89.14	-	99.28	80.63
Contract fulfilment cost	10.36	-	3.19	-
Employee advances	-	-	6.39	10.34
Capital advances	376.43	376.38	-	-
Prepaid expenses	112.02	208.33	587.34	470.16
Advances to suppliers	400.00	-	179.90	397.86
Indirect tax recoverable	250.53	250.53	1,113.14	1,163.59
	1,238.48	**840.87**	**1,989.24**	**2,176.20**

	As at 31 March 2020			As at 31 March 2019		
	Units	NAV (₹)	₹ million	Units	NAV (₹)	₹ million
11. CURRENT INVESTMENTS						
Investments carried at FVTPL						
Unquoted mutual funds						
Kotak Equity Arbitrage Fund Direct Growth	41,469,740	29.0690	1,205.48	41,470,753	27.2030	1,128.13
HDFC Ultrashort term	-	-	-	33,707,973	10.4744	353.07
HDFC Overnight Fund	32,558	2,969.1201	96.67	-	-	-
IDFC Cash fund	-	-	-	841,901	2,266.5224	1,908.19
ABSL Money manager Fund Direct	-	-	-	1,594,133	251.6049	401.09
ICICI Prudential Money Market Fund	499,384	279.2649	139.46	-	-	-
IDFC Low Duration Fund	14,650,786	28.8946	423.33	-	-	-
IDFC Arbitrage Fund	27,715,199	25.7308	713.13	-	-	-
Quoted debentures						
Citicorp Finance (India) Ltd.	5,000.00	100,570.00	502.85	18,500	107,870.00	1,995.60
Quoted bonds						
0 % Nabard 2020	1,700	19,313.9832	32.83	1,700	17,818.14	30.29
0 % REC 2020	1,830	28,975.9196	53.04	1,830	26,410.77	48.33
			3,166.79			**5,864.70**
Aggregate value of quoted current investments			588.72			2,074.22
Aggregate net asset value of unqouted mutual fund investments			2,578.07			3,790.48

	As at 31 March 2020	As at 31 March 2019
12. CASH AND CASH EQUIVALENTS		
In current accounts	3,826.54	1,306.59
Deposits with original maturity of less than 3 months	3,637.98	111.00
Unclaimed dividend	20.78	20.72
	7,485.30	**1,438.31**

(₹ million)

	Non-current		Current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
13. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS				
Deposits with remaining maturity of more than 12 months	133.31	133.32	-	-
Deposits with remaining maturity of less than 12 months	-	-	70.03	27.03
	133.31	**133.32**	**70.03**	**27.03**
Disclosed under other financial assets (refer note 9)	(133.31)	(133.32)	(70.03)	-
	-	**-**	**-**	**27.03**

	As at 31 March 2020	As at 31 March 2019
14. EQUITY SHARE CAPITAL		
Authorised share capital		
245,000,000 (31 March 2019: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
Issued, subscribed and fully paid-up shares		
186,535,807 (31 March 2019: 186,219,039) equity shares of ₹ 10 each fully paid-up	1,865.36	1,862.19
Add: Amount originally paid-up on forfeited shares	0.07	0.07
Total issued, subscribed and fully paid-up share capital	**1,865.43**	**1,862.26**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	As at 31 March 2020		As at 31 March 2019	
	Number of shares	₹ million	Number of shares	₹ million
At the beginning of the year	186,219,039	1,862.19	193,260,182	1,932.60
Issue of shares upon exercise of employee stock options	316,768	3.17	278,712	2.79
Issue of bonus shares	-	-	700	0.01
Buy back of shares [refer note 14(d)(ii)(b)]	-	-	(7,320,555)	(73.21)
Outstanding at the end of the year	**186,535,807**	**1,865.36**	**186,219,039**	**1,862.19**

(b) Terms/rights and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

	As at 31 March 2020	As at 31 March 2019
Marble II Pte Ltd. (subsidiary of the ultimate holding company) *		
104,799,577 (31 March 2019: 97,317,781) equity shares of ₹ 10 each fully paid	1,048.00	973.18

***** The ultimate holding company is Blackstone Capital Partners (Cayman II) VI L.P.

(d) Equity shares movement during five years immediately preceding 31 March 2020

(i) Aggregate number of bonus shares and shares issued for consideration other than cash:

	As at 31 March 2020	As at 31 March 2019
Equity shares allotted as fully paid bonus shares by capitalization of securities premium / retained earnings	700	700

(ii) Equity shares extinguished / cancelled on buy back

a. On 2 June 2017, the Company completed the buyback of 17,370,078 fully paid-up equity shares of face value of ₹ 10 each (“equity shares”), representing 8.26% of the total paid-up equity share capital of the Company, at a price of ₹ 635 per equity share for an aggregate consideration of ₹ 11,030.00 million. The shares accepted by the Company under the buyback scheme were extinguished on 7 June 2017 and the paid-up equity share capital of the Company has been reduced to that extent. Subsequent to completion of buyback, the Company has transferred ₹ 173.70 million to Capital Redemption Reserve representing face value of equity shares bought back.

b. On 28 December 2018, the Company completed the buyback of 7,320,555 fully paid-up equity shares of face value ₹ 10 each (“equity shares”), representing 3.79% of the total paid-up equity share capital of the Company, at a price of ₹ 1,350 per equity share for an aggregate consideration of ₹ 9,882.75 million. In line with the requirements of the Companies Act, 2013, an amount of ₹ 176.59 million, ₹ 743.89 million and ₹ 8,962.27 million has been utilized from securities premium, general reserve and retained earnings respectively. The shares accepted under the buyback have been extinguished on 28 December 2018 and the paid-up equity share capital of the Company has been reduced to that extent. Subsequent to completion of the buyback, the Company has transferred ₹ 73.21 million to the Capital Redemption Reserve representing face value of equity shares bought back.

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2020		As at 31 March 2019	
	Number of shares	% of holding	Number of shares	% of holding
Marble II Pte Ltd.	104,799,577	56.18	97,317,781	52.26

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(f) Shares reserved for issue under options

For details of shares reserved for issue under the ESOP plan of the Company, refer note 15.

(₹ million)

	As at 31 March 2020	As at 31 March 2019
15. OTHER EQUITY		
Securities premium		
Balance as per previous financial statements	69.26	95.18
Utilized for buy back of equity shares	-	(176.59)
Premium received on issue of shares	148.23	100.90
Transferred from share based payment reserve, on exercise of options	48.69	49.77
Closing balance	**266.18**	**69.26**
General reserve		
Balance as per previous financial statements	769.54	742.07
Utilized for buy back of equity shares	-	(743.89)
Reversal on lapse of options granted	9.78	1.93
Transferred from retained earnings	1,205.06	769.43
Closing balance	**1,984.38**	**769.54**
Retained earnings		
Balance as per previous financial statements	27,549.13	35,308.68
Re-measurement gains / (losses) on defined benefit plans	27.30	0.32
Profit for the year	12,050.55	7,694.33
Issue of bonus shares	-	(0.01)
Transition impact of Ind AS 116 (refer note 4)	(953.34)	-
Utilized for buy back of equity shares	-	(8,889.06)
Transferred to CRR on buy back of equity shares	-	(73.21)
Buy back expenses	-	(66.44)
Transferred to Special Economic Zone re-investment reserve	(1,390.63)	(1,411.16)
Transferred from Special Economic Zone re-investment reserve	624.29	416.98
Less: Appropriations		
Dividends	5,031.13	3,866.99
Dividend Distribution Tax	1,034.18	794.88
Transfer to general reserve	1,205.06	769.43
Total appropriations	**7,270.37**	**5,431.30**
Closing balance	**30,636.93**	**27,549.13**
Capital reserve		
Balance as per previous financial statements	265.16	265.16
Closing balance	**265.16**	**265.16**
Capital redemption reserve		
Balance as per previous financial statements	246.91	173.70
Transferred from retained earnings on buy back of equity shares	-	73.21
Closing balance	**246.91**	**246.91**
Share based payments		
Balance as per previous financial statements	492.98	318.23
Expense for the year	146.70	226.45
Transferred to securities premium on exercise of options	(48.69)	(49.77)
Reversal on lapse of options granted	(9.78)	(1.93)
Closing balance	**581.21**	**492.98**
Special Economic Zone re-investment reserve		
Balance as per previous financial statements	994.18	-
Transfer from retained earnings	1,390.63	1,411.16
Utilization during the year	(624.29)	(416.98)
Closing balance	**1,760.52**	**994.18**
Hedging reserve		
Balance as per previous financial statements	386.81	238.55
Transactions during the year	(1,074.33)	(715.85)
Transfer to statement of profit and loss	(147.18)	864.11
Closing balance	**(834.70)**	**386.81**
Total other equity	**34,906.59**	**30,773.97**

Dividend on equity shares

The Board of Directors, at its meeting held on 27 May 2019 had proposed the final dividend of ₹ 27 per share for the year ended 31 March 2019. The dividend proposed by the Board of Directors has been approved by the shareholders' in the Annual General meeting held on 25 July 2019. This resulted in a cash outflow of ₹ 6,065.25 million, inclusive of dividend distribution tax of ₹ 1,034.18 million.

Employee Stock Option Plans – Equity settled

Employees Stock Option Plan - 1998 (the 1998 Plan)

The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose. In accordance with the 1998 Plan, the Committee has formulated 1998 Plan – (Version I) and 1998 Plan - (Version II) during the years 1998-1999 and 1999-2000 respectively.

1998 Plan - (Version I): Each option granted under the 1998 Plan - (Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period irrespective of continued employment with the Group.

The movements in the options granted under the 1998 Plan – (Version I) are set out below:

	Year ended 31 March 2020		Year ended 31 March 2019	
1998 Plan (Version I)	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	47,000	34.38	47,000	34.38
Options outstanding at the end	**47,000**	**34.38**	**47,000**	**34.38**
Exercisable at the end	**47,000**	**34.38**	**47,000**	**34.38**

The options outstanding as at 31 March 2020 have an exercise price of ₹ 34.38 (31 March 2019: ₹ 34.38).

Employees Stock Option Plan - 2016 (the 2016 Plan)

Effective 4 November 2016, the Company instituted the 2016 Plan. The Board of Directors of the Company and shareholders approved the 2016 Plan at its meeting held on 27 September 2016 and 4 November 2016 respectively. The 2016 plan provides for the issue of options to certain employees of the Company and its subsidiaries.

The 2016 Plan is administered by the Mphasis Employees Equity Reward Trust. As per the ESOP 2016 Plan, the stock options are granted at the market price subject to a discount up to twenty per cent (20%) as may be determined by the Compensation Committee at the time of Grant. The equity shares covered under these options vest over 60 months from the date of grant. The exercise period is thirty-six months from the respective date of vesting or within six months from the resignation of employee whichever is earlier.

The movements in the options under the 2016 plan are set out below:

	Year ended 31 March 2020		Year ended 31 March 2019	
2016 Plan	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	4,675,716	561.53	4,958,886	541.91
Granted	186,500	860.72	223,000	941.00
Forfeited	228,374	584.92	289,760	560.28
Lapsed	37,962	515.81	12,500	500.00
Exercised	286,969	526.55	203,910	504.84
Options outstanding at the end	**4,308,911**	**575.97**	**4,675,716**	**561.53**
Exercisable at the end	**1,972,913**	**542.57**	**1,388,326**	**527.78**

The weighted average share price as at the date of exercise of stock option was ₹ 919.93 (31 March 2019: ₹ 1,064.34) The options outstanding as at 31 March 2020 have an exercise price ranging from ₹ 500.00 to ₹ 941.00 (31 March 2019: ₹ 500.0 to ₹ 941.00) and the weighted average remaining contractual life is of 3.43 years (31 March 2019: 4.24 years).

The weighted average fair value of stock options granted during the year was ₹ 214.25 (31 March 2019: ₹ 298.19). The Black-Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	Year ended 31 March 2020	**Year ended 31 March 2019**
Weighted average share price on the date of grant (₹)	926.48	972.80
Exercise Price (₹)	850.00 to 900.00	941.00
Expected Volatility	23.46% to 31.31%	37.57%
Life of the options granted in years	1-5 years	1 -5 Years
Average risk-free interest rate	6.37% to 6.93%	7.53%
Expected dividend rate	1.68% to 2.93%	1.68%

Total employee compensation cost pertaining to 2016 Plan during the year is ₹ 39.58 million, (31 March 2019: ₹ 79.76 million) net of cross charge to subsidiaries.

Restricted Stock Unit Plan-2014 ("RSU Plan-2014")

Effective 20 October 2014, the Company instituted the Restricted Stock Unit Plan-2014. The Board and the shareholders of the Company approved RSU Plan-2014 on 14 May 2014. The RSU Plan-2014 provides for the issue of restricted units to employees and directors of the Company and its subsidiaries.

The RSU Plan-2014 is administered by the Mphasis Employees Benefit Trust. Each unit, granted under the RSU Plan-2014, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under this plan vest over a period ranging from twelve to thirty-six months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the units under the RSU Plan -2014 are set out below:

	Year ended 31 March 2020		Year ended 31 March 2019	
RSU 2014 Plan	**No. of units**	**Weighted Average Exercise Price (₹)**	**No. of units**	**Weighted Average Exercise Price (₹)**
Units outstanding at the beginning	5,313	10.00	35,455	10.00
Lapsed	3,350	10.00	1,354	10.00
Exercised	1,963	10.00	28,788	10.00
Units outstanding at the end	**-**	**-**	**5,313**	**10.00**
Exercisable at the end	**-**	**-**	**5,313**	**10.00**

The weighted average share price as at the date of exercise of stock unit was ₹ 966.39 (31 March 2019: ₹ 1,063.72).

Restricted Stock Unit Plan-2015 ('RSU Plan-2015')

Effective 29 July 2015, the Company instituted the Restricted Stock Unit Plan-2015. The Board and the shareholders of the Company approved RSU Plan-2015 on 9 September 2015. The RSU Plan-2015 provides for the issue of restricted units to employees and directors of the Company and its subsidiaries.

The RSU Plan-2015 is administered by the Mphasis Employees Benefit Trust. Each unit, granted under the RSU Plan-2015, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under this plan vest over a period ranging from twelve to thirty-six months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the units under the RSU Plan-2015 are set out below:

	Year ended 31 March 2020		Year ended 31 March 2019	
RSU 2015 Plan	**No. of units**	**Weighted Average Exercise Price (₹)**	**No. of units**	**Weighted Average Exercise Price (₹)**
Units outstanding at the beginning	37,086	10.00	83,850	10.00
Lapsed	9,250	10.00	750	10.00
Exercised	27,836	10.00	46,014	10.00
Units outstanding at the end	**-**	**-**	**37,086**	**10.00**
Exercisable at the end	**-**	**-**	**37,086**	**10.00**

The weighted average share price as at the date of exercise of stock unit was ₹ 922.85 (31 March 2019: ₹ 1,098.70).

(₹ million)

	Non-current		Current	
	As at 31 March 2020	**As at 31 March 2019**	**As at 31 March 2020**	**As at 31 March 2019**
16. OTHER FINANCIAL LIABILITIES				
Salary related costs	19.46	-	1,518.52	1,308.07
Capital creditors	-	-	51.53	40.96
Other payables	0.62	0.85	93.99	117.80
Unpaid dividend*	-	-	20.78	20.72
Derivative liabilities	607.44	38.72	1,066.02	298.58
	627.52	**39.57**	**2,750.84**	**1,786.13**

* Unclaimed dividends when due shall be credited to Investor Protection and Education Fund.

	Non-current		Current	
	As at 31 March 2020	**As at 31 March 2019**	**As at 31 March 2020**	**As at 31 March 2019**
17. EMPLOYEE BENEFIT OBLIGATIONS				
Provision for gratuity [refer note 36 (a)]	687.76	778.59	-	-
Provision for employee compensated absences	-	-	187.06	180.52
	687.76	**778.59**	**187.06**	**180.52**

	Non-current		Current	
	As at 31 March 2020	**As at 31 March 2019**	**As at 31 March 2020**	**As at 31 March 2019**
18. OTHER LIABILITIES				
Unearned revenue	-	-	219.30	91.53
Advances received from customers	-	-	-	0.02
Rent equalization reserve	-	91.52	-	0.97
Statutory dues	-	-	329.09	278.65
	-	**91.52**	**548.39**	**371.17**

	Non-current		Current	
	As at 31 March 2020	**As at 31 March 2019**	**As at 31 March 2020**	**As at 31 March 2019**
19. BORROWINGS				
Unsecured				
Loan from Citibank*	-	-	-	1,000.00
Pre-shipment loan in foreign currency from bank **	-	-	2,345.62	1,383.10
	-	**-**	**2,345.62**	**2,383.10**

(₹ million)

	As at 31 March 2020	As at 31 March 2019
Balance as per previous financial statements	2,383.10	1,299.60
Cash flow movement	(254.11)	1,022.86
Non-cash changes relating to foreign exchange movements	216.63	60.64
Closing balance	**2,345.62**	**2,383.10**

* Loan from Citibank carried interest @ 8.5% (31 March 2019: 8.5%). The loan was repaid on 31 July 2019.

** Pre-shipment loan carries interest @ LIBOR plus 0.48% (31 March 2019: LIBOR plus 0.6%) p.a. The loan is repayable on 28 May 2020.

Refer note 38 for the Company's exposure to interest rate, foreign currency and liquidity risks.

	As at 31 March 2020	As at 31 March 2019
20. TRADE PAYABLES		
Outstanding dues of micro and small enterprises	5.07	4.87
Trade payables *	5,028.00	3,321.10
	5,033.07	**3,325.97**

* Includes payables to subsidiaries (refer note 31).

The Company has amounts due to Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 March 2020 and 31 March 2019. The details in respect of such dues are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
The principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year		
- Principal amount	5.07	4.87
- Interest	0.72	1.03
The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed date during the year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed date during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	0.67	0.51
The amount of interest accrued and remaining unpaid at the end of each accounting year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	17.49	16.10

Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

	Non-current		Current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
21. PROVISIONS				
Provision for loss on long-term contract	-	-	-	10.20
Other provisions	-	-	55.34	73.03
	-	-	**55.34**	**83.23**

Provisions	Provision for loss on long-term contract	Others
As at 1 April 2019	**10.20**	**73.03**
Utilised / paid	(10.20)	(17.69)
As at 31 March 2020	**-**	**55.34**
Current	-	55.34
As at 1 April 2018	**200.00**	**81.03**
Utilised / paid	(189.80)	(8.00)
As at 31 March 2019	**10.20**	**73.03**
Current	10.20	73.03

22. TAXES

Income tax expenses in the statement of profit and loss consist of the following:

(₹ million)

	Year ended 31 March 2020	Year ended 31 March 2019
Taxes		
Current taxes	2,029.91	1,994.99
Deferred taxes	(204.09)	37.68
Total taxes	**1,825.82**	**2,032.67**

Under the Indian Income Tax Act, 1961, the Company is liable to pay Minimum Alternate Tax ('MAT') in the tax holiday period if the tax payable under normal provisions is less than tax payable under MAT. Excess tax paid under MAT over tax under normal provision can be carried forward for a period of 15 years and can be set off against the future tax liabilities.

The Company has units at Bengaluru, Hyderabad, Chennai and Pune registered as Special Economic Zone ('SEZ') units which are entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961. The Company also has STPI units at Bengaluru, Pune and other locations which are registered as a 100 percent Export Oriented Unit, which were earlier entitled to a tax holiday under Section 10B / 10A of the Income Tax Act, 1961.

A portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations from undertakings situated in SEZ. Under the Special Economic Zone Act, 2005 scheme, units in designated special economic zones providing service on or after 1 April 2005 will be eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits and gains for a further five years. The tax benefits are also available for a further five years post the initial ten years subject to the creation of SEZ Reinvestment Reserve which is required to be spent within 3 financial years in accordance with requirements of the tax regulations in India.

The interest / dividend income from certain category of investments is exempt from tax. The difference between the reported income tax expense and income tax computed at statutory tax rate is primarily attributable to income exempt from tax, tax deductions and tax effect on allowances / disallowances etc.

The Company is also subject to tax on income attributable to its permanent establishment in certain foreign jurisdictions due to operation of its foreign branches.

Mphasis Limited has entered into international and specified domestic transactions with its associated enterprises within the meaning of Section 92B and Section 92BA respectively of the Income Tax Act, 1961. The Company is of the view that all the aforesaid transactions have been made at arms' length terms.

Deferred tax for the year ended 31 March 2020 and 31 March 2019 relates to origination and reversal of temporary differences.

Reconciliation of taxes to the amount computed by applying the statutory income tax rate to the income before taxes is summarized below:

	Year ended 31 March 2020	**Year ended 31 March 2019**
Profit before tax	**13,876.37**	**9,727.00**
Applicable tax rates in India	34.944%	34.944%
Computed tax charge (A)	**4,848.96**	**3,399.00**
Tax effect on exempt operating income	(869.33)	(801.12)
Tax effect on exempt non - operating income	(18.30)	(22.32)
Tax effect on non - deductible expenses	71.83	43.19
Tax effect on differential domestic/overseas tax rate and other disallowances	(706.84)	0.01
Reversal of tax expenses pertaining to prior period*	(1,755.05)	(763.40)
Tax effect on unrecognized deferred tax assets	(90.23)	178.26
Tax effect on foreign source dividend**	353.25	-
Others, net	(8.47)	(0.95)
Total adjustments (B)	**(3,023.14)**	**(1,366.33)**
Total tax expenses (A+B)	**1,825.82**	**2,032.67**

Income tax expense for the year ended 31 March 2020 and 31 March 2019 includes reversal (net of provisions) of ₹ 1,755.05 million and ₹ 763.40 million, respectively.

* During the current year, pursuant to completed tax assessments and an independent opinion obtained from a Senior Counsel, the Company has reversed provisions amounting to ₹ 770.29 million (31 March 2019: ₹ nil).

** Income taxes include a tax expense of ₹ 353.25 million (31 March 2019: ₹ nil) relating to dividend received during the year from an overseas subsidiary.

	As at 31 March 2020	**As at 31 March 2019**
Income tax assets (net)		
Advance income-tax (net of provision for taxation)	4,118.10	4,402.10
	4,118.10	**4,402.10**
Income tax liabilities (net)		
Provision for taxation	311.59	1,101.03
	311.59	**1,101.03**
Net income tax asset	**3,806.51**	**3,301.07**

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities are as follows: (₹ million)

	As at 31 March 2020	As at 31 March 2019
Deferred tax asset (net)		
Property, plant and equipment and other intangible assets	333.78	347.85
Provision for doubtful debts and advances	171.68	142.56
Provision for employee benefits	371.54	361.41
Provision for loss on long-term contract	16.23	16.23
Rent equalization reserve	-	(14.22)
On carried forward long term capital loss	41.71	105.63
Derivative liabilities	448.33	(207.77)
MAT credit entitlement	260.57	-
Others	278.63	(39.68)
	1,922.47	**712.01**

Significant components of net deferred tax assets are as follows:

	As at 1 April 2019	Statement of Profit and loss	OCI	Others	As at 31 March 2020
Deferred tax asset (net)					
Property, plant and equipment and other intangible assets	347.85	(14.07)	-	-	333.78
Provision for doubtful debts and advances	142.56	29.12	-	-	171.68
Provision for employee benefits	361.41	24.79	(14.66)	-	371.54
Provision for loss on long-term contract	16.23	-	-	-	16.23
Rent equalization reserve	(14.22)	-	-	14.22	-
On carried forward long term capital loss	105.63	(63.92)	-	-	41.71
Derivative liabilities	(207.77)	-	656.10	-	448.33
MAT credit entitlement	-	-	-	260.57	260.57
Others	(39.68)	228.17	-	90.14	278.63
Total	**712.01**	**204.09**	**641.44**	**364.93**	**1,922.47**

	As at 1 April 2018	Statement of Profit and loss	OCI	Others	As at 31 March 2019
Deferred tax asset (net)					
Property, plant and equipment and other intangible assets	415.14	(67.29)	-	-	347.85
Provision for doubtful debts and advances	157.92	(15.36)	-	-	142.56
Provision for employee benefits	364.89	(3.31)	(0.17)	-	361.41
Provision for loss on long-term contract	16.23	-	-	-	16.23
Rent equalization reserve	(132.50)	118.28	-	-	(14.22)
On carried forward long term capital loss	123.02	(17.39)	-	-	105.63
Derivative liabilities	(128.13)	-	(79.64)	-	(207.77)
Others	12.93	(52.61)	-	-	(39.68)
Total	**829.50**	**(37.68)**	**(79.81)**	-	**712.01**

	Year ended 31 March 2020	Year ended 31 March 2019
23. REVENUE FROM OPERATIONS		
Sale of services	43,324.21	35,204.30
Profit / (loss) on cash flow hedges reclassified to revenue	147.18	(864.11)
	43,471.39	**34,340.19**

Information in relation to revenue disaggregation is disclosed in note 34.

Reconciliation of revenue recognised with contracted price is as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Contracted price	43,664.63	35,334.65
Reductions towards variable consideration components	(340.42)	(130.35)
Revenue as per statement of profit and loss	**43,324.21**	**35,204.30**

A. Contract balances

The following table discloses the movement in contract assets:

		(₹ million)
	Year ended 31 March 2020	**Year ended 31 March 2019**
Balance as per previous financial statements	80.63	6.77
Revenue recognized during the year	1,046.81	135.81
Invoiced during the year	(968.74)	(62.52)
Exchange gain / (loss)	29.72	0.57
Closing balance	**188.42**	**80.63**

The following table discloses the movement in unearned revenue balances:

	Year ended 31 March 2020	**Year ended 31 March 2019**
Balance as per previous financial statements	91.53	301.02
Revenue recognised that was included in the unearned revenue balance at the beginning of the year	(7.22)	(230.70)
Increase due to invoicing during the year, excluding amounts recognised as revenue during the year	135.06	19.38
Exchange (gain) / loss	(0.07)	1.83
Closing balance	**219.30**	**91.53**

B. Remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Unsatisfied or partially satisfied performance obligations are subject to variability due to several factors such as termination, changes in contract scope, re-validation of estimates and economic factors.

Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the Company's performance completed to date, typically those contracts where invoicing is on time and material, unit price basis.

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2020 is ₹ 8,408.00 million (31 March 2019: ₹ 4,168.00 million). Out of this, the Company expects to recognize revenue of around 30% (31 March 2019: 31%) within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

Impact of Covid-19

The Company has evaluated the impact of Covid-19 resulting from

- the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts,
- potential onerous contract obligations,
- penalties relating to breaches of service level agreements and,
- termination / deferment of contracts by customers.

The Company has concluded that the impact of Covid-19 is not material based on above mentioned evaluation. Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods given the nature and duration of Covid-19.

	Year ended 31 March 2020	**Year ended 31 March 2019**
24. OTHER INCOME		
Interest income on		
Bank deposits	16.56	38.28
Long term bonds	43.22	63.83
Others	350.72	78.41
Dividend income	2,021.82	0.04
Net gain on investments carried at FVTPL *	380.86	706.40
Foreign exchange gain / (loss), (net)	188.12	180.69
Profit on sale of fixed assets, (net)	15.46	23.17
Sublease income	77.43	76.24
Miscellaneous income	138.71	18.80
	3,232.90	**1,185.86**

*includes profit on sale of investments amounting to ₹ 496.02 million (31 March 2019: ₹ 64.52 million).

	Year ended 31 March 2020	**Year ended 31 March 2019**
25. EMPLOYEE BENEFITS EXPENSE		
Salaries and bonus	15,388.26	13,346.19
Contribution to provident and other funds	799.95	609.99
Employee share based payments	39.58	79.76
Staff welfare expenses	393.31	375.43
	16,621.10	**14,411.37**

(₹ million)

	Year ended 31 March 2020	Year ended 31 March 2019
26. FINANCE COSTS		
Interest expense	117.26	66.74
Interest expense on lease liabilities	476.58	-
Exchange difference to the extent considered as an adjustment to borrowing costs	36.59	-
	630.43	**66.74**

	Year ended 31 March 2020	Year ended 31 March 2019
27. DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation of property, plant and equipment (refer note 3)	374.11	309.60
Amortization of intangible assets (refer note 5)	77.22	74.25
Depreciation of right-of-use assets (refer note 4)	1,081.10	-
	1,532.43	**383.85**

	Year ended 31 March 2020	Year ended 31 March 2019
28. OTHER EXPENSES		
Subcontracting charges	8,518.75	4,445.21
Legal and professional charges	1,714.61	1,793.56
Facility Expenses	504.07	1,766.59
Travel	436.16	489.83
Software support and annual maintenance charges	905.36	848.11
Communication expenses	297.15	276.26
Recruitment expenses	238.84	146.31
Power and fuel	342.59	303.84
Insurance	94.60	75.84
Rates and taxes	34.18	-
Repairs and maintenance - others	109.98	72.12
Provision for expected credit loss	89.19	42.67
Sales support and marketing expenses	71.06	67.39
Corporate Social Responsibility expense (refer note 41)	208.02	182.20
Miscellaneous expenses	463.86	412.40
Auditor's remuneration (refer details below)	15.54	14.76
	14,043.96	**10,937.09**
Auditor's remuneration *		
Statutory audit fee	12.54	11.40
Other services (certification fees)	1.30	3.12
Reimbursement of expenses	1.70	0.24
	15.54	**14.76**

* excluding Goods and Services Tax.

29. EARNINGS PER SHARE ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	Year ended 31 March 2020	Year ended 31 March 2019
Profit for the year (₹ in million)	12,050.55	7,694.33
Number of weighted average shares considered for calculation of basic earnings per share	186,374,412	191,495,657
Add: Dilutive effect of stock options	1,424,811	1,906,012
Number of weighted average shares considered for calculation of diluted earnings per	**187,799,223**	**193,401,669**
Earnings per equity share (par value ₹ 10 per share)		
Basic	64.66	40.18
Diluted	64.17	39.78

30. CONTINGENT LIABILITIES AND COMMITMENTS

a. The Company has disputes with income tax authorities in India and other jurisdictions where they operate. The ongoing disputes pertain to various assessment years from 2005-06 to 2016-17. The matters under dispute pertain to transfer pricing, tax treatment of certain expenses claimed as deductions, or allowances, characterization of fees for services paid and applicability of withholding taxes. Claims against the Company in relation to direct taxes, transfer pricing and indirect tax matters not acknowledged as debts amount to ₹ 8,665.84 million (31 March 2019: ₹ 10,120.47 million).

In relation to other tax demands not included above, the Company has furnished bank guarantees amounting to ₹ 6,661.95 million (31 March 2019: ₹ 6,661.95 million). These demands are being contested by the Company based on management evaluation, advice of tax consultants and legal advice obtained. No provision has been made in the books of accounts. The Company has filed appeals against such orders with the appropriate authorities.

The Company has received notices and inquiries from income tax authorities related to the Company's operations in the jurisdictions it operates in. The Company has evaluated these notices, responded appropriately and believes there are no financial statement implications as on date.

b. Other outstanding bank guarantees as at 31 March 2020: ₹ 167.15 million (31 March 2019: ₹ 145.61 million) pertains to guarantees on behalf of the Company to regulatory authorities.

c. In addition to the above matters, the Company has other claims not acknowledged as debts amounting to ₹ 489.82 million (31 March 2019: ₹ 707.59 million).

There has been a Supreme Court judgement dated 28 February 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the Provident Fund Act, 1952. However, considering that there are numerous interpretative issues relating to this judgment, including the effective date of the application and based on expert advice obtained, the Company is unable to reasonably estimate the expected impact of the Supreme Court decision. The Company will continue to assess any further developments in this matter for the implications on financial statements, if any.

d. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 March 2020: ₹ 150.25 million (31 March 2019: ₹ 77.57 million).

31. RELATED PARTY TRANSACTIONS

Entities where control exists:

Blackstone Capital Partners (Cayman II) VI L.P.	Ultimate holding company
Blackstone Capital Partners (Singapore) VI Holding Co Pte Ltd	Intermediate holding company
Marble I Pte Ltd.	Intermediate holding company
Marble II Pte Ltd.	Holding company

Subsidiaries where control exists:

Msource (India) Private Limited (‘Msource India’)	Mphasis Europe BV (‘Mphasis Europe’)
Mphasis Corporation (‘Mphasis USA’)	Mphasis Pte Limited (‘Mphasis Singapore’)
Mphasis Infrastructure Services Inc.	Mphasis Deutschland GmbH (‘Mphasis GmbH’)
Digital Risk, LLC	Mphasis Belgium BV (‘Mphasis Belgium’)
Digital Risk Mortgage Services, LLC	Mphasis Poland s.p.z.o.o
Digital Risk Valuation Services, LLC	Mphasis Ireland Limited (‘Mphasis Ireland’)
Digital Risk Europe, OOD	Wyde Solutions Canada Inc.
Investor Services, LLC	Mphasis Wyde SASU
Wyde Corporation Inc.	PT. Mphasis Indonesia (‘Mphasis Indonesia’)*
Mphasis Wyde Inc.	Msource Mauritius Inc. (‘Msource Mauritius’)
Mphasis UK Limited (‘Mphasis UK’)	Mphasis Philippines Inc.
Mphasis Consulting Limited (‘Mphasis Consulting’)	Mphasis Lanka Private Limited (‘Mphasis Lanka’)
Mphasis Software and Services (India) Private Limited (‘Mphasis India’)	Stelligent Systems LLC
Mphasis (Shanghai) Software & Services Company Limited (‘Mphasis China’)	Mphasis Australia Pty Limited (‘Mphasis Australia’)

* On 16 April 2018, the shareholders of PT. Mphasis Indonesia resolved to dissolve and liquidate the entity. Accordingly, an amount of ₹ 4.38 million had been provided for in the financial statements of the Company during the year ended 31 March 2019.

Key management personnel

Davinder Singh Brar	Independent Director and Chairman of the Board
Narayanan Kumar	Independent Director
Jan Kathleen Hier	Independent Director
David Lawrence Johnson	Director
Paul James Upchurch	Director
Marshall Jan Lux	Director – Appointed w.e.f. 7 August 2018
Amit Dixit	Director
Amit Dalmia	Director
Dario Zamarian	Director – Resigned w.e.f. 6 August 2018
Nitin Rakesh	Chief Executive Officer and Executive Director
V. Suryanarayanan	Executive Vice President & Chief Financial Officer
Subramanian Narayan	Vice President & Company Secretary

The following is the summary of significant transactions with related parties by the Company: (₹ million)

	Year ended 31 March 2020	Year ended 31 March 2019
Rendering of services	**11,096.77**	**11,425.52**
Mphasis USA	8,136.48	8,782.72
Others	2,960.29	2,642.80
Subcontracting charges	**7,821.68**	**3,286.05**
Mphasis USA	6,754.19	2,697.93
Msource India	377.86	363.52
Others	689.63	224.60
Sales support and marketing expenses	**71.06**	**67.39**
Mphasis UK	71.06	67.39
Dividend paid (on cash basis)	**2,628.30**	**2,025.08**
Marble II Pte Ltd.	2,627.58	2,024.62
Others	0.72	0.46
Remuneration / Commission to key management personnel	**76.08**	**140.24**
Nitin Rakesh*	12.77	79.05
Others	63.31	61.19
Dividend Income received from entities where control exists	**2,021.82**	**-**
Mphasis USA	2,021.82	-
Sub-lease rental income	**77.44**	**76.24**
Msource India	58.32	58.52
Digital Risk Mortgage Services, LLC	19.12	17.72
Corporate guarantee commission - income	**43.20**	**10.86**
Mphasis USA	43.20	10.86

* With effect from 16 October 2018, the Company has entered into an agreement with Mphasis Corporation, a wholly owned subsidiary, pursuant to which Nitin Rakesh had been deputed for a period of 12 months with automatic renewal, unless terminated by the Company. Effective, 16 October 2018, salaries and all other employee benefits for Nitin Rakesh (excluding the annual bonus) amounting to ₹ 110.04 million (31 March 2019: ₹ 41.74 million) have been discharged by Mphasis Corporation.

In addition to the above, the Company and its subsidiaries incur reimbursable expenses on behalf of each other in the normal course of business.

	Year ended 31 March 2020	Year ended 31 March 2019
Expenses incurred on behalf of related parties	**172.89**	**205.42**
Mphasis USA	112.89	143.59
Msource India	13.00	12.73
Others	47.00	49.10
Cost allocation by related parties	**31.95**	**20.22**
Wyde Corporation	-	10.44
Mphasis USA	31.95	9.78
Expenses incurred by related parties on Company's behalf	**51.73**	**44.35**
Msource India	1.08	0.04
Mphasis USA	50.56	44.29
Others	0.09	0.02

Managerial remuneration*

Expenses include the following remuneration to the key management personnel:

	Year ended 31 March 2020	Year ended 31 March 2019
Short-term employee benefits	41.75	76.99
Share based payment	1.93	31.2
Commission to independent directors	31.33	31.03
Other benefits	1.07	1.02
	76.08	**140.24**

***** This does not include remuneration paid to certain directors by the ultimate parent company and its affiliates as they are not employees of the Company. Post-employment benefit comprising gratuity and compensated absences have not been disclosed as these are determined for the Company as a whole.

Marble II Pte Ltd. (‘Marble’) (being the Promoter of the Company) has covered certain identified employees of the Company under an Exit Return Incentive Plan (‘the ERI Plan’) of Marble, under which Marble will make direct payments upon satisfaction of specified conditions therein, at Marble’s discretion. The ERI Plan was approved by the Board of Directors of the Company on 25 May 2017 and the shareholders of the Company at the Annual General Meeting held on 26 July 2017, as required under Regulation 26(6) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. There is no financial impact / burden to the Company for the payments to be made pursuant to the ERI Plan by Marble.

The balances receivable from and payable to related parties are as follows:

(₹ million)

	As at 31 March 2020	As at 31 March 2019
Trade receivables	**4,765.46**	**2,627.45**
Mphasis USA	3,716.97	2,177.26
Others	1,048.49	450.19
Trade payables	**3,368.68**	**1,429.09**
Mphasis USA	2,847.99	1,283.51
Others	520.69	145.58
Remuneration / Commission payable to key management personnel	**8.22**	**8.11**
Davinder Singh Brar	1.60	1.57
Narayanan Kumar	1.46	1.42
David Lawrence Johnson	1.28	1.28
Jan Kathleen Hier	1.38	1.34
Paul James Upchurch	1.25	1.25
Marshall Lux	1.25	1.25
Other receivables *	**154.21**	**581.90**
Mphasis USA	21.63	342.70
Mphasis China	-	136.16
Msource India	40.16	-
Wyde Corporation	50.48	-
Others	41.94	103.04

* includes collection on behalf of the Company.

32. During the year ended 31 March 2020, the Company has remitted dividend in foreign currency of ₹ 2,630.39 million (31 March 2019: ₹ 2,026.28 million) to non-residents holding 97,421,703 (31 March 2019: 101,313,815) equity shares of the Company.

	Year ended 31 March 2020	Year ended 31 March 2019
Number of shareholders	13	9
Number of shares held	97,421,703	101,313,815
Amount remitted (₹ million)	2,630.39	2,026.28
Year to which the dividend relates	31 March 2019	31 March 2018

33. SEGMENT REPORTING

The Company publishes the standalone financial statements along with the consolidated financial statements. In accordance with Ind AS 108, Operating segments, the Company has disclosed the segment information in the consolidated financial statements and is exempt from disclosing segment information in the standalone financial statements.

34. DISAGGREGARTION OF REVENUE

Business verticals	Year ended 31 March 2020	Year ended 31 March 2019
Banking and Capital Market	18,421.82	13,616.76
Insurance	7,322.58	6,997.56
Information Technology, Communication and Entertainment	5,392.17	5,119.86
Emerging Industries	12,187.64	9,470.12
Unallocated - hedge	147.18	(864.11)
Total	**43,471.39**	**34,340.19**
Geographic revenues		
USA	32,051.94	25,206.76
India	4,454.80	4,473.03
EMEA	5,315.43	4,092.98
ROW	1,502.04	1,431.53
Unallocated - hedge	147.18	(864.11)
Total	**43,471.39**	**34,340.19**

(₹ million)

Services rendered	Year ended 31 March 2020	Year ended 31 March 2019
Application development	13,307.39	8,022.70
Application maintenance	16,617.21	14,866.52
Infrastructure management services	7,884.47	7,412.41
Knowledge Processing Services	55.63	22.02
Service / Technical helpdesk	930.95	1,030.94
Transaction processing service	4,027.19	3,333.69
Customer Service	468.53	507.01
License income	32.84	9.01
Unallocated - hedge	147.18	(864.11)
Total	**43,471.39**	**34,340.19**
Delivery location		
Onsite	7,667.68	4,052.74
Offshore	35,656.53	31,151.56
Unallocated - hedge	147.18	(864.11)
Total	**43,471.39**	**34,340.19**
Project type		
Time and material	27,503.16	23,375.84
Fixed price	15,821.05	11,828.46
Unallocated - hedge	147.18	(864.11)
Total	**43,471.39**	**34,340.19**
Market		
Direct international	30,144.21	23,189.09
DXC / HP business	10,263.89	9,284.49
Others	2,916.11	2,730.72
Unallocated - hedge	147.18	(864.11)
Total	**43,471.39**	**34,340.19**

35. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base to ensure sustained growth in business. The Capital Management policy focusses to maintain an optimal structure that balances growth and maximizes shareholder value.

	As at 31 March 2020	As at 31 March 2019
Total equity attributable to the share holders of the Company (A)	36,772.02	32,636.23
Borrowings (B)	2,345.62	2,383.10
Total borrowings as a percentage of capital (B / C)	**6.00%**	**6.81%**
Total capital C (A+B)	**39,117.64**	**35,019.33**
Total equity as a percentage of total capital (A / C)	**94.00%**	**93.19%**

The Company is predominantly equity financed as evident from the capital structure table above. The Company is not subject to any externally imposed capital restrictions.

36. EMPLOYEE BENEFITS

a. Gratuity

In accordance with Indian laws, the Company and its subsidiaries in India operate a scheme of Gratuity which is a defined benefit plan. The gratuity plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service. Vesting occurs upon completion of five continuous years of service. The Company manages the plan through a trust. The trust is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives.

The following tables set out the status of the gratuity plan.

	Year ended 31 March 2020	Year ended 31 March 2019
		(₹ million)
Changes in present value of defined benefit obligations		
Obligations at beginning of the year	1,107.15	1,117.81
Service cost	54.32	19.73
Interest cost	73.31	79.55
Benefits paid	(100.89)	(105.57)
Re-measurement (gain) / loss (through OCI)	(40.84)	(4.37)
Obligations at end of the year	**1,093.05**	**1,107.15**
Change in plan assets		
Plan assets at beginning of the year, at fair value	328.56	398.52
Expected return on plan assets	25.89	40.13
Re-measurement gain / (loss) (through OCI)	1.13	(3.88)
Employer contributions	158.23	5.26
Benefits paid	(100.89)	(105.57)
Administration charges	(7.63)	(5.90)
Plan assets at end of the year	**405.29**	**328.56**
Present value of defined benefit obligation at the end of the year	1,093.05	1,107.15
Fair value of plan assets at the end of the year	405.29	328.56
Net liability recognised in the balance sheet	**(687.76)**	**(778.59)**
Expenses recognised in statement of profit and loss		
Service cost	54.32	19.73
Interest cost (net)	47.42	39.42
Net gratuity cost	**101.74**	**59.15**
Re-measurement gains / (losses) in OCI		
Actuarial (gain) / loss due to financial assumption changes	(1.47)	10.19
Actuarial (gain) / loss due to experience adjustments	(39.36)	(14.57)
Re-measurement - return on plan assets (greater) less than discount rate	(1.14)	3.89
Total expenses routed through OCI	**(41.97)**	**(0.49)**
Assumptions		
Discount rate	6.47%	7.34%
Expected rate of return on plan assets	6.47%	7.34%
Salary increase	4.00%	5.00%
Attrition rate	20.00%	20.00%
Retirement age	60 years	60 years
Future payouts (year ended 31 March)		
Year-1	168.09	201.84
Year-2	145.50	165.15
Year-3	126.24	136.15
Year-4	110.59	110.39
Year-5	96.31	89.55
Year-6-10	286.37	220.74
Year-10 and above	159.95	183.33

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Insurer managed funds	100%	100%

Sensitivity analysis	**Year ended 31 March 2020**		**Year ended 31 March 2019**	
Change in discount rate	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Effect on the defined benefit obligation	(44.27)	40.99	(41.30)	44.73
Change in salary increase rate				
Effect on the defined benefit obligation	42.08	(44.82)	45.28	(42.52)

b. Provident fund

In accordance with Indian law, all eligible employees of the Company in India are entitled to receive benefits under the provident fund plan in which both the employee and employer (at a determined rate) contribute monthly to a Trust set up by the Company to manage the investments and distribute the amounts entitled to employees. This plan is a defined benefit plan as the Company is obligated to provide its members a rate of return which should, at the minimum, meet the interest rate declared by Government administered provident fund. A part of the Company's contribution is transferred to Government administered pension fund. The contributions made by the Company and the shortfall of interest, if any, are recognised as an expense in the statement of profit or loss under employee benefit expenses. In accordance with an actuarial valuation of provident fund liabilities on the basis of guidance issued by Actuarial Society of India and based on the assumptions as mentioned below, there is no deficiency in the interest cost as the present value of the expected future earnings of the fund is greater than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of Government administered provident fund.

The Company has carried out actuarial valuation as at 31 March 2020. The actuary has provided a valuation for provident fund liabilities and based on the assumptions mentioned below, there is no shortfall in plan assets as at 31 March 2020 and 31 March 2019.

The amount of plan assets disclosed below have been restricted to the extent of present value of benefit obligation at the year end.

The details of the fund and plan asset position are given below: (₹ million)

	As at 31 March 2020	As at 31 March 2019
Plan assets at the year end	9,265.12	8,213.92
Present value of benefit obligation at year end	9,265.12	8,213.92
Asset recognized in balance sheet	-	-

The plan assets have been primarily invested in Government and Debt Securities in the pattern specified by Employee's Provident Fund Organisation.

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach.

Government of India (GOI) bond yield	6.13%	7.00%
Remaining term of maturity (in years)	12	12
Expected guaranteed rate of return	8.50%	8.65%

The Company contributed ₹ 612.09 million during the year ended 31 March 2020 (31 March 2019: ₹ 453.76 million).

37. FINANCIAL INSTRUMENTS

The carrying value of financial instruments by categories is as follows:

Particulars (as at 31 March 2020)	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	7,485.30	**7,485.30**
Investments (other than investment in subsidiaries)	3,166.79	-	-	831.81	**3,998.60**
Trade receivables	-	-	-	7,684.46	**7,684.46**
Loans	-	-	-	1,771.02	**1,771.02**
Derivative assets	-	186.41	122.90	-	**309.31**
Unbilled receivables	-	-	-	3,596.83	**3,596.83**
Other financial assets	-	-	-	427.14	**427.14**
Total	**3,166.79**	**186.41**	**122.90**	**21,796.56**	**25,272.66**
Financial liabilities					
Borrowings	-	-	-	2,345.62	**2,345.62**
Lease liabilities	-	-	-	5,804.42	**5,804.42**
Trade payables	-	-	-	5,033.07	**5,033.07**
Derivative liabilities	-	1,469.45	204.01	-	**1,673.46**
Other financial liabilities	-	-	-	1,704.90	**1,704.90**
Total	**-**	**1,469.45**	**204.01**	**14,888.01**	**16,561.47**

Particulars (as at 31 March 2019)	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	1,438.31	**1,438.31**
Bank balances other than cash and cash equivalents	-	-	-	27.03	**27.03**
Investments (other than investment in subsidiaries)	5,864.70	-	-	816.17	**6,680.87**
Trade receivables	-	-	-	5,028.12	**5,028.12**
Loans	-	-	-	1,734.24	**1,734.24**
Derivative assets	-	897.68	93.57	-	**991.25**
Unbilled receivables	-	-	-	2,818.67	**2,818.67**
Other financial assets	-	-	-	755.69	**755.69**
Total	**5,864.70**	**897.68**	**93.57**	**12,618.23**	**19,474.18**
Financial liabilities					
Borrowings	-	-	-	2,383.10	**2,383.10**
Trade payables	-	-	-	3,325.97	**3,325.97**
Derivative liabilities	-	303.09	34.21	-	**337.30**
Other financial liabilities	-	-	-	1,488.40	**1,488.40**
Total	**-**	**303.09**	**34.21**	**7,197.47**	**7,534.77**

Fair value hierarchy **(₹ million)**

Particulars	As at 31 March 2020				As at 31 March 2019			
	Fair value measurements at reporting date using				Fair value measurements at reporting date using			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Investments	**3,166.79**	2,578.07	588.72	-	**5,864.70**	3,790.48	2,074.22	-
Derivative assets	**309.31**	-	309.31	-	**991.25**	-	991.25	-
Liabilities								
Derivative liabilities	**1,673.46**	-	1,673.46	-	**337.30**	-	337.30	-

Offsetting financial assets with liabilities

The Company offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The quantitative information about offsetting financial asset is as follows:

	As at 31 March 2020	As at 31 March 2019
Gross amount of recognised trade receivables	10,776.83	5,800.34
Gross amount of recognised factored trade receivables and volume discount set off in the balance sheet	(3,092.37)	(772.22)
Net amount presented in balance sheet	**7,684.46**	**5,028.12**

38. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to the following risks:

- Credit risk
- Interest rate risk
- Liquidity risk
- Foreign currency exchange rate risk

The Company has a risk management policy/ framework which covers risks associated with the financial assets and liabilities. The risk management policy/ framework is approved by the Treasury Committee. The focus of such framework is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Company.

CREDIT RISK

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. The Company is exposed to credit risk from its operating activities (primarily trade receivables and unbilled receivables) and from its investing activities including deposits with banks and financial institutions, investments, derivative financial instruments and other financial instruments.

Trade receivables

Credit risk is managed by each business unit subject to the Company's established policies, procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored. Two customer groups individually accounted for more than 10% of the accounts receivable for the years ended 31 March 2020 and 31 March 2019. One customer group accounted for more than 10% of the unbilled receivables for the year ended 31 March 2020 (31 March 2019: Two customer groups).

Credit risk exposure

The Company's credit period generally ranges from 30 – 60 days. The particulars of outstanding are as below:

Particulars	As at 31 March 2020	As at 31 March 2019
Trade receivables	7,684.46	5,028.12
Unbilled receivables	3,596.83	2,818.67
Total	**11,281.29**	**7,846.79**

The concentration risk with respect to trade receivables is low since they are spread across multiple geographies and multiple industries.
The allowance for lifetime expected credit loss for the years ended 31 March 2020 and 31 March 2019 was ₹ 89.19 million and ₹ 42.67 million respectively. The reconciliation is as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Balance as per previous financials statements	42.67	-
Charge for the year	89.19	42.67
Closing balance	**131.86**	**42.67**

Impact of Covid-19

Trade receivables and unbilled receivables of ₹ 11,281.29 million as at 31 March 2020 forms a significant part of the financial assets carried at amortized cost which is valued considering provision for allowance using expected credit loss method. In addition to the historical pattern of credit loss, we have evaluated the likelihood of increased credit risk and consequential default considering emerging Covid-19 situation. This assessment considers the current collection pattern across various verticals and the financial strength of customers. The Company is closely monitoring the developments across various business verticals. Basis this assessment, provision made towards ECL is considered adequate.

Financial instruments and deposits with banks

Credit risk is limited as the Company generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investments in liquid mutual fund units and bonds issued by government owned entities and highly rated financial institutions. Counterparty credit limits are reviewed by the Company periodically and the limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. Pursuant to the impact of

Covid-19, the Company has assessed the counterparty credit risk and concluded the carrying / fair value, as applicable, of the financial instruments and deposits with banks to be appropriate. One bank individually accounted for more than 10% of the Company's deposits and bank balances for the years ended 31 March 2020 and 31 March 2019.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to the risk of changes in interest rates relates primarily to the Company's debt obligations with floating interest rates. The Company's borrowings are short term / working capital in nature. The Company's investments are primarily in fixed rate interest bearing investments. Hence, the Company is not significantly exposed to interest rate risk.

LIQUIDITY RISK

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company believes that the cash and cash equivalents are sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

The break-up of cash and cash equivalents, deposits and investments is as below. **(₹ million)**

Particulars	As at 31 March 2020	As at 31 March 2019
Cash and cash equivalents	7,485.30	1,438.31
Bank balances other than cash and cash equivalents	-	27.03
Current investments	3,166.79	5,864.70
Total	**10,652.09**	**7,330.04**

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date. The amounts are based on contractual financial liabilities.

Financial liabilities (31 March 2020)	On demand	0-180 days	180 to 365 days	365 days and above	Total
Trade payables	159.12	4,873.95	-	-	**5,033.07**
Borrowings	-	2,345.62	-	-	**2,345.62**
Lease liabilities	-	740.72	633.68	6,310.93	**7,685.33**
Other financial liabilities	26.70	2,724.14	-	627.52	**3,378.36**
Total financial liabilities	**185.82**	**10,684.43**	**633.68**	**6,938.45**	**18,442.38**
Financial liabilities (31 March 2019)					
Trade payables	179.44	3,146.53	-	-	**3,325.97**
Borrowings	-	2,383.10	-	-	**2,383.10**
Other financial liabilities	27.94	1,758.19	-	39.57	**1,825.70**
Total financial liabilities	**207.38**	**7,287.82**	**-**	**39.57**	**7,534.77**

FOREIGN CURRENCY EXCHANGE RATE RISK

The fluctuation in foreign currency exchange rates may have a potential impact on the standalone statement of profit and loss and other comprehensive income, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in United States Dollars ('USD'). The Company also has exposures to Great Britain Pound ('GBP') and Euros ('EUR")). The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

Below is the summary of foreign currency exposure of Company's financial assets and liabilities:

31 March 2020	₹ million				
Financial assets	**USD**	**GBP**	**EUR**	**Others**	**Total**
Trade receivables	6,602.75	151.90	219.20	263.52	**7,237.37**
Cash and cash equivalents	3,186.84	-	-	-	**3,186.84**
Other financial assets	104.39	12.87	1.93	-	**119.19**
Unbilled receivables	2,761.62	81.37	136.58	156.02	**3,135.59**
Total financial assets	**12,655.60**	**246.14**	**357.71**	**419.54**	**13,678.99**
Financial liabilities					**Total**
Trade payables	3,477.60	0.72	0.97	-	**3,479.29**
Borrowings	2,345.62	-	-	-	**2,345.62**
Other financial liabilities	16.59	-	-	-	**16.59**
Total financial liabilities	**5,839.81**	**0.72**	**0.97**	**-**	**5,841.50**
Net financial assets	**6,815.79**	**245.42**	**356.74**	**419.54**	**7,837.49**

31 March 2019	₹ million				
Financial assets	**USD**	**GBP**	**EUR**	**Others**	**Total**
Trade receivables	3,710.31	205.51	204.86	154.44	**4,275.12**
Cash and cash equivalents	1,134.19	-	-	-	**1,134.19**
Other financial assets	263.13	23.32	12.27	126.00	**424.72**
Unbilled receivables	2,126.05	84.17	101.03	57.72	**2,368.97**
Total financial assets	**7,233.68**	**313.00**	**318.16**	**338.16**	**8,203.00**
Financial liabilities					**Total**
Trade payables	1,456.34	0.09	-	72.09	**1,528.52**
Borrowings	1,383.10	-	-	-	**1,383.10**
Other financial liabilities	32.93	-	-	-	**32.93**
Total financial liabilities	**2,872.37**	**0.09**	**-**	**72.09**	**2,944.55**
Net financial assets	**4,361.31**	**312.91**	**318.16**	**266.07**	**5,258.45**

The Company holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counter party for these transactions are banks. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

Forward contracts outstanding against receivables are as below:

Currency	**As at 31 March 2020**		**As at 31 March 2019**	
Balance sheet hedges	**Amount (million)**	**Amount in (₹ million)**	**Amount (million)**	**Amount in (₹ million)**
USD	110.8	8,383.68	64.79	4,480.55
GBP	5.13	479.67	3.28	296.79
EUR	7.62	630.71	5.40	419.51
CAD	1.84	97.67	2.49	128.23
AUD	5.56	256.18	2.13	104.41
SGD	0.47	24.92	1.00	51.04
SEK	5.64	42.14	-	-

Forward contracts outstanding against payables are as below:

USD	31.00	2,345.62	20.00	1,383.10
GBP	3.42	319.78	-	-

Sensitivity analysis

For every 1% appreciation/depreciation of the respective foreign currencies, the Company’s profit before taxes will be impacted by approximately ₹ 4.80 million for the year ended 31 March 2020 (31 March 2019: ₹ 6.50 million).

39. FAIR VALUES

Financial instruments carried at amortised cost such as cash and cash equivalents, other bank balances, trade receivables, loans, other financial assets, unbilled revenue, borrowings, trade payables and other financial liabilities are considered to be same as their fair values, due to the short-term nature of these instruments.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted investments are based on price quotations at the reporting date.
- The Company holds derivative financial instruments such as foreign exchange forward to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

40. HEDGING ACTIVITIES AND DERIVATIVES

The Company’s revenue is denominated in various foreign currencies. Given the nature of business, a large part of the costs are denominated in INR. This exposes the Company to currency fluctuations. The Company uses foreign exchange forward contracts to manage exposure on some of its transactions. The counterparty, for all derivative financial instruments is a bank.

The Company has taken cash flow hedges on account of highly probable forecast transactions. Designated cash flow hedges are measured at FVTOCI. Other derivatives which are not designated as hedge are measured at FVTPL.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

The following are outstanding forward contracts which has been designated as cash flow hedges:

	As at 31 March 2020			As at 31 March 2019		
Currency	**Number of contracts**	**Notional amount (million)**	**Fair value gain/(loss) (₹ million)**	**Number of contracts**	**Notional amount (million)**	**Fair value gain/(loss) (₹ million)**
USD	492	549.20	(1,392.68)	360	461.70	391.60
GBP	84	15.53	36.50	59	15.23	68.72
EUR	83	14.60	30.37	53	13.77	105.64
AUD	70	9.88	42.77	36	8.70	28.62
Total			**(1,283.04)**			**594.58**

The movement in cash flow hedging reserve for derivatives designated as cash flow hedges is as follows: **(₹ million)**

	Year ended 31 March 2020	**Year ended 31 March 2019**
Balance at the beginning of the period	386.81	238.55
Change in fair value of effective portion of cash flow hedge	(1,730.44)	(636.21)
(Gain) / loss transfered to statement of profit and loss on occurrence of forecasted hedges	(147.18)	864.11
Income tax effect on the above	656.11	(79.64)
Total	**(834.70)**	**386.81**

Sensitivity analysis

Every 1% appreciation/depreciation of the respective underlying foreign currencies, the Company's OCI will decrease or increase approximately by ₹ 443.00 million for the year ending 31 March 2020 (31 March 2019: ₹ 330.00 million).

Impact of Covid-19

The Company basis their assessment believes that the probability of the occurrence of their forecasted transactions is not impacted by Covid-19 pandemic. The Company has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness. The Company continues to believe that there is no impact on effectiveness of its hedges.

41. CORPORATE SOCIAL RESPONSIBILITY ('CSR')

Pursuant to the requirement of Section 135 of the Companies Act, 2013, CSR committee has been formed by the Company. The primary function of the Committee is to assist the Board of Directors in formulating a CSR Policy and review the implementation and progress of the same from time to time. The CSR Policy focuses on creating opportunities for the disadvantaged with emphasis on persons with disabilities and technology driven community development. Gross amount required to be spent by the Company during the year was ₹ 207.76 million (31 March 2019: ₹ 182.20 million). The expenses incurred towards CSR activities amounting to ₹ 208.02 million (31 March 2019: ₹ 182.20 million) has been charged to the statement of profit and loss and is disclosed under other expenses.

Amount spent during the year ended 31 March 2020 and 31 March 2019 is as is as follows:

	Year ended 31 March 2020			Year ended 31 March 2019		
Particulars	**Paid**	**Not paid**	**Total**	**Paid**	**Not paid**	**Total**
Construction / acquisition of any asset	-	-	-	-	-	-
On purposes other than above	208.02	-	208.02	182.20	-	182.20

42. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on 13 May 2020 have proposed a final dividend of ₹ 35 per equity share for the year ended 31 March 2020 which is subject to the approval of shareholders at the ensuing Annual General Meeting and if approved, would result in a cash outflow of approximately ₹ 6,528.75 million.

As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W/W-100022

Amit Somani
Partner
Membership No. 060154

Bengaluru
13 May 2020

for **and on behalf of the Board of Directors**

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer
Bengaluru
13 May 2020

Subramanian Narayan
Vice President &
Company Secretary
Bengaluru