



**Audited condensed standalone interim financial statements  
for the quarter and nine months ended 31 December 2019**

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**Mphasis Limited**  
**Condensed standalone interim financial statements**

Condensed standalone interim balance sheet	(₹ million)	
	As at 31 December 2019	As at 31 March 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,335.24	886.05
Capital work-in-progress	66.43	15.77
Right-of-use assets	4,696.79	-
Other intangible assets	102.95	90.35
Intangible assets under development	-	13.41
<b>Financial assets</b>		
Investments	14,994.04	14,982.29
Trade receivables	-	10.60
Loans	846.53	702.06
Other financial assets	224.78	612.10
Deferred tax assets (net)	1,113.19	712.01
Income tax assets (net)	4,916.28	4,402.10
Other assets	1,030.72	840.87
<b>Total non-current assets</b>	<b>29,326.95</b>	<b>23,267.61</b>
<b>Current assets</b>		
<b>Financial assets</b>		
Investments	5,707.85	5,864.70
Trade receivables	6,336.98	5,017.52
Unbilled receivables	3,576.53	2,818.67
Cash and cash equivalents	2,586.56	1,438.31
Bank balances other than cash and cash equivalents	-	27.03
Loans	769.79	1,032.18
Other financial assets	867.93	1,134.84
Other assets	1,813.44	2,176.20
<b>Total current assets</b>	<b>21,659.08</b>	<b>19,509.45</b>
<b>TOTAL ASSETS</b>	<b>50,986.03</b>	<b>42,777.06</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	1,864.54	1,862.26
Other equity	30,730.23	30,773.97
<b>Total equity</b>	<b>32,594.77</b>	<b>32,636.23</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
<b>Financial liabilities</b>		
Lease liabilities	4,566.34	-
Other financial liabilities	62.02	39.57
Employee benefit obligations	810.19	778.59
Other liabilities	-	91.52
<b>Total non-current liabilities</b>	<b>5,438.55</b>	<b>909.68</b>
<b>Current liabilities</b>		
<b>Financial liabilities</b>		
Borrowings	2,212.94	2,383.10
Lease liabilities	1,026.05	-
Trade payables		
- outstanding dues to micro and small enterprises	5.35	4.87
- outstanding dues to creditors other than micro and small enterprises	5,034.61	3,321.10
Other financial liabilities	1,964.98	1,786.13
Employee benefit obligations	154.97	180.52
Provisions	63.04	83.23
Income tax liabilities (net)	1,825.21	1,101.03
Other liabilities	665.56	371.17
<b>Total current liabilities</b>	<b>12,952.71</b>	<b>9,231.15</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,986.03</b>	<b>42,777.06</b>

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed standalone interim 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

**Narayanan Kumar**

Director

**V. Suryanarayanan**

Executive Vice President & Chief Financial Officer

Bengaluru

6 February 2020

**Subramanian Narayan**

Vice President & Company Secretary

Bengaluru

6 February 2020

Bengaluru

6 February 2020

**Mphasis Limited**  
**Condensed standalone interim financial statements**  
**Condensed standalone interim statement of profit and loss**

(₹ million)

	Quarter ended 31 December 2019	Quarter ended 31 December 2018	Nine months ended 31 December 2019	Nine months ended 31 December 2018
<b>Income</b>				
Revenue from operations	11,285.31	8,622.95	31,376.14	25,392.52
Other income	208.34	355.83	795.49	969.48
<b>Total income (I)</b>	<b>11,493.65</b>	<b>8,978.78</b>	<b>32,171.63</b>	<b>26,362.00</b>
<b>Expenses</b>				
Employee benefits expense	4,180.42	3,610.06	12,223.65	10,689.17
Finance costs	145.54	9.63	464.26	45.75
Depreciation and amortization expense	383.29	99.20	1,134.81	281.05
Other expenses	3,744.26	2,683.20	9,967.85	8,057.91
<b>Total expenses (II)</b>	<b>8,453.51</b>	<b>6,402.09</b>	<b>23,790.57</b>	<b>19,073.88</b>
<b>Profit before tax (III) [(I)-(II)]</b>	<b>3,040.14</b>	<b>2,576.69</b>	<b>8,381.06</b>	<b>7,288.12</b>
<b>Tax expenses</b>				
Current tax	519.07	374.56	1,784.65	1,456.07
Deferred tax	(163.47)	11.61	(248.80)	45.08
<b>Total tax expenses</b>	<b>355.60</b>	<b>386.17</b>	<b>1,535.85</b>	<b>1,501.15</b>
<b>Profit for the period (A)</b>	<b>2,684.54</b>	<b>2,190.52</b>	<b>6,845.21</b>	<b>5,786.97</b>
<b>Other comprehensive income / (losses) ('OCI')</b>				
<b>Items to be reclassified to profit or loss in subsequent periods</b>				
Net change in fair value of derivatives designated as cash flow hedges	(90.01)	2,756.38	(177.21)	(703.19)
Income tax effect on the above	31.45	(963.19)	61.92	245.72
<b>Items not to be reclassified to profit or loss in subsequent periods</b>				
Re-measurement gains / (losses) on defined employee benefit plans	(5.97)	(17.32)	39.76	28.38
Income tax effect on the above	2.09	6.05	(13.89)	(9.92)
<b>Total OCI for the period, net of tax (B)</b>	<b>(62.44)</b>	<b>1,781.92</b>	<b>(89.42)</b>	<b>(439.01)</b>
<b>Total comprehensive income for the period (A+B)</b>	<b>2,622.10</b>	<b>3,972.44</b>	<b>6,755.79</b>	<b>5,347.96</b>
<b>Earnings per equity share (par value ₹ 10 per share)</b>				
Basic (₹)	14.40	11.34	36.74	29.95
Diluted (₹)	14.30	11.23	36.44	29.63
Weighted average number of shares – Basic	186,396,057	193,098,823	186,332,879	193,240,998
Weighted average number of shares – Diluted	187,785,787	194,987,869	187,860,458	195,310,892

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed standalone interim 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

**Narayanan Kumar**

Director

**V. Suryanarayanan**

Executive Vice President & Chief  
Financial Officer

**Subramanian Narayan**

Vice President & Company Secretary

Bengaluru

6 February 2020

Bengaluru

6 February 2020

**Condensed standalone interim statement of changes in equity**

**a. Equity share capital**

Equity shares of ₹ 10 each issued, subscribed and fully paid	No. in million	₹ million
<b>As at 1 April 2018</b>	193.26	1,932.67
Issue of shares	0.16	1.57
Equity shares extinguished on buy back [refer note 4]	(7.32)	(73.20)
<b>As at 31 December 2018</b>	<b>186.10</b>	<b>1,861.04</b>
<b>As at 1 April 2019</b>	186.22	1,862.26
Issue of shares	0.23	2.28
<b>As at 31 December 2019</b>	<b>186.45</b>	<b>1,864.54</b>

**b. Other equity**

(₹ million)

	Attributable to the equity owners of the Company								Total
	Reserves and surplus							Items of OCI	
	a	b	c	d	e	f	g	h	
						Special Economic Zone re-investment reserve	Share based payments	Hedging reserve	
<b>As at 1 April 2018</b>	<b>95.18</b>	<b>742.07</b>	<b>35,308.68</b>	<b>265.16</b>	<b>173.70</b>	-	<b>318.23</b>	<b>238.55</b>	<b>37,141.57</b>
Profit for the period	-	-	5,786.97	-	-	-	-	-	5,786.97
Other comprehensive income	-	-	18.46	-	-	-	-	(457.47)	(439.01)
Dividends *	-	-	(4,661.92)	-	-	-	-	-	(4,661.92)
Buy back of equity shares [refer note 4]	(176.59)	(743.89)	(8,962.26)	-	73.20	-	-	-	(9,809.54)
Buy back expenses	-	-	(66.44)	-	-	-	-	-	(66.44)
Transferred to Special Economic Zone re-investment reserve	-	-	(1,045.08)	-	-	1,045.08	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	279.73	-	-	(279.73)	-	-	-
Issue of bonus shares	-	-	(0.01)	-	-	-	-	-	(0.01)
Share based expenses	-	-	-	-	-	-	187.48	-	187.48
Issue of shares on exercise of stock options	81.41	1.82	-	-	-	-	(32.68)	-	50.55
<b>As at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>26,658.13</b>	<b>265.16</b>	<b>246.90</b>	<b>765.35</b>	<b>473.03</b>	<b>(218.92)</b>	<b>28,189.65</b>
<b>As at 1 April 2019</b>	<b>69.26</b>	<b>769.54</b>	<b>27,549.13</b>	<b>265.16</b>	<b>246.91</b>	<b>994.18</b>	<b>492.98</b>	<b>386.81</b>	<b>30,773.97</b>
Transition impact of Ind AS 116 **	-	-	(953.34)	-	-	-	-	-	(953.34)
<b>Restated balance as at 1 April 2019</b>	<b>69.26</b>	<b>769.54</b>	<b>26,595.79</b>	<b>265.16</b>	<b>246.91</b>	<b>994.18</b>	<b>492.98</b>	<b>386.81</b>	<b>29,820.63</b>
Profit for the period	-	-	6,845.21	-	-	-	-	-	6,845.21
Other comprehensive income	-	-	25.87	-	-	-	-	(115.29)	(89.42)
Dividends *	-	-	(6,065.31)	-	-	-	-	-	(6,065.31)
Transferred to Special Economic Zone re-investment reserve	-	-	(1,040.73)	-	-	1,040.73	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	585.11	-	-	(585.11)	-	-	-
Share based expenses	-	-	-	-	-	-	115.73	-	115.73
Issue of shares on exercise of stock options	140.84	9.78	-	-	-	-	(47.23)	-	103.39
<b>As at 31 December 2019</b>	<b>210.10</b>	<b>779.32</b>	<b>26,945.94</b>	<b>265.16</b>	<b>246.91</b>	<b>1,449.80</b>	<b>561.48</b>	<b>271.52</b>	<b>30,730.23</b>

\* Including dividend distribution tax thereon amounting to ₹ 1,034.18 million (31 December 2018: ₹ 794.88 million).

\*\* Refer note 2 of significant accounting policies.

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

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

**Mphasis Limited**

**Condensed standalone interim financial statements**

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- 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.

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed standalone interim 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*

**Narayanan Kumar**

*Director*

**V. Suryanarayanan**

*Executive Vice President & Chief  
Financial Officer*

**Subramanian Narayan**

*Vice President &  
Company Secretary*

Bengaluru

6 February 2020

Bengaluru

6 February 2020

Condensed standalone interim statement of cash flows	(₹ million)	
	Nine months ended 31 December 2019	Nine months ended 31 December 2018
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>8,381.06</b>	<b>7,288.12</b>
<b>Adjustments to reconcile profit before tax to net cash provided by operating activities:</b>		
Depreciation and amortization expense	1,134.81	281.05
Utilization of the rent equalisation reserve	-	346.66
Profit on sale of property, plant and equipment and intangible assets	(11.35)	(7.10)
Net gain on investments carried at fair value through profit and loss	(291.21)	(604.52)
Share based payment expenses	30.30	68.10
Provision for expected credit loss	78.68	29.79
Finance costs	464.26	45.75
Interest income	(252.75)	(88.90)
Others	(29.29)	(4.09)
Unrealized exchange (gain)/loss, net	(15.98)	54.50
<b>Operating profit before changes in operating assets and liabilities</b>	<b>9,488.53</b>	<b>7,409.36</b>
<b>Changes in operating assets and liabilities</b>		
Trade receivables and unbilled receivables	(2,057.35)	1,444.10
Loans	(25.12)	1,100.12
Other financial assets	566.99	(658.26)
Other assets	(16.95)	(41.33)
Trade payables	1,713.99	212.95
Other financial liabilities	159.02	799.00
Provisions and employee benefit obligations	25.62	(113.69)
Other liabilities	295.36	(222.29)
<b>Total changes in operating assets and liabilities</b>	<b>661.56</b>	<b>2,520.60</b>
Income tax paid (net of refunds)	(1,375.71)	(1,681.50)
<b>Net cash flows generated from operating activities (A)</b>	<b>8,774.38</b>	<b>8,248.46</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(679.81)	(514.99)
Proceeds from sale of property, plant and equipment and intangible assets	12.64	11.65
Purchase of investments	(42,464.27)	(39,242.58)
Sale of investments	42,900.58	46,033.85
Interest received	13.87	87.76
Investments in bank deposits	(80.99)	(133.17)
Redemption / maturity of bank deposits	38.00	136.15
<b>Net cash flows (used in) / generated from investing activities (B)</b>	<b>(259.98)</b>	<b>6,378.67</b>
<b>Financing activities</b>		
Proceeds from issue of shares	105.67	52.11
Payment towards buy back of shares (including buy-back expenses ₹ 54.50) [refer note 4]	-	(9,937.24)
Repayment of borrowings	(4,688.32)	(1,371.13)
Availment of borrowings	4,434.21	1,393.99
Interest paid	(103.54)	(23.05)
Repayment of lease liabilities	(1,049.70)	-
Dividends paid	(6,064.47)	(4,653.72)
<b>Net cash flows used in financing activities (C)</b>	<b>(7,366.15)</b>	<b>(14,539.04)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>1,148.25</b>	<b>88.09</b>
Cash and cash equivalents at the beginning of the period	1,438.31	1,975.87
<b>Cash and cash equivalents at the end of the period</b>	<b>2,586.56</b>	<b>2,063.96</b>
<b>Components of cash and cash equivalents</b>		
In current accounts	2,493.01	2,021.61
Deposits with original maturity of less than 3 months	71.99	20.48
Unclaimed dividend	21.56	21.87
<b>Total cash and cash equivalents</b>	<b>2,586.56</b>	<b>2,063.96</b>

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed standalone interim 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

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Director

**V. Suryanarayanan**

Executive Vice President & Chief  
Financial Officer

Bengaluru

6 February 2020

**Subramanian Narayan**

Vice President  
& Company Secretary

Bengaluru

6 February 2020

**Explanatory notes to the condensed standalone interim financial statements****1. CORPORATE INFORMATION**

The condensed standalone interim financial statements comprise financial statements of Mphasis Limited ('the Company'), its branch and controlled Employee Stock Option Plan ('ESOP') trusts for the quarter and nine months ended 31 December 2019. 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, multicultural organisation headquartered in Bengaluru, India, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business & knowledge process outsourcing solutions to clients around the world.

The condensed standalone interim financial statements as at and for the quarter and nine months ended 31 December 2019 have been approved by the Board of Directors on 6 February 2020.

Mphasis Limited is the sponsoring entity of 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 condensed standalone interim financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) 34, Interim Financial Reporting, specified under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, as amended.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

The condensed standalone interim 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 condensed standalone interim 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 indirect method.

The Company has followed the same accounting policies in preparation of the condensed standalone interim financial statements as those followed in preparation of the annual standalone financial statements as at and for the year ended 31 March 2019 except in case of leases due to adoption of Ind AS 116-Leases. These condensed standalone interim financial statements should be read in conjunction with the audited standalone financial statements and the related notes for the year ended 31 March 2019.

**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 of 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 assets 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 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 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 and applied the standard to its leases, retrospectively, 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.

Refer note 2 – Significant accounting policies – Leases in the 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.

**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. 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 has been recognised. The cumulative effect on transition in retained earnings, net of taxes is ₹ 953.34 million (including the deferred tax of ₹ 104.35 million). The principle 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 balance sheet at the date of initial application.

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

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

**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.



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

	Balance as on transition date (1 April 2019)	Additions, net*	Depreciation for nine months ended 31 December 2019	Carrying amount as at 31 December 2019
Buildings	4,201.35	644.80	(509.66)	4,336.49
Plant and equipment	574.92	17.27	(259.52)	332.67
Furniture and fixtures	27.41	-	(15.65)	11.76
Vehicles	17.79	(0.97)	(5.13)	11.69
Servers and networks	18.35	-	(14.17)	4.18
	<b>4,839.82</b>	<b>661.10</b>	<b>(804.13)</b>	<b>4,696.79</b>

\* Additions, net of deletions amounting to ₹ 256.07 million.

The following table presents the various components of lease costs:

	Quarter ended 31 December 2019	Nine months ended 31 December 2019
Depreciation	264.07	804.13
Interest on lease liabilities	110.91	353.82
	<b>374.98</b>	<b>1,157.95</b>

### 3. FINANCIAL INSTRUMENTS

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

Particulars (as at 31 December 2019)	Derivative instruments FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	2,586.56	<b>2,586.56</b>
Investments (other than investment in subsidiaries)	5,707.85	-	-	827.92	<b>6,535.77</b>
Trade receivables	-	-	-	6,336.98	<b>6,336.98</b>
Loans	-	-	-	1,616.32	<b>1,616.32</b>
Derivative assets	-	615.05	13.50	-	<b>628.55</b>
Unbilled receivables	-	-	-	3,576.53	<b>3,576.53</b>
Other financial assets	-	-	-	464.16	<b>464.16</b>
<b>Total</b>	<b>5,707.85</b>	<b>615.05</b>	<b>13.50</b>	<b>15,408.47</b>	<b>21,744.87</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	2,212.94	<b>2,212.94</b>
Lease liabilities	-	-	-	5,592.39	<b>5,592.39</b>
Trade payables	-	-	-	5,039.96	<b>5,039.96</b>
Derivative liabilities	-	197.68	22.17	-	<b>219.85</b>
Other financial liabilities	-	-	-	1,807.15	<b>1,807.15</b>
<b>Total</b>	<b>-</b>	<b>197.68</b>	<b>22.17</b>	<b>14,652.44</b>	<b>14,872.29</b>
<b>Particulars (as at 31 March 2019)</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	1,438.31	<b>1,438.31</b>
Bank balances other than cash and cash equivalents	-	-	-	27.03	<b>27.03</b>
Investments (other than investment in subsidiaries)	5,864.70	-	-	816.17	<b>6,680.87</b>
Trade receivables	-	-	-	5,028.12	<b>5,028.12</b>
Loans	-	-	-	1,734.24	<b>1,734.24</b>
Derivative assets	-	897.68	93.57	-	<b>991.25</b>
Unbilled receivables	-	-	-	2,818.67	<b>2,818.67</b>
Other financial assets	-	-	-	755.69	<b>755.69</b>
<b>Total</b>	<b>5,864.70</b>	<b>897.68</b>	<b>93.57</b>	<b>12,618.23</b>	<b>19,474.18</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	2,383.10	<b>2,383.10</b>
Trade payables	-	-	-	3,325.97	<b>3,325.97</b>
Derivative liabilities	-	303.09	34.21	-	<b>337.30</b>
Other financial liabilities	-	-	-	1,488.40	<b>1,488.40</b>
<b>Total</b>	<b>-</b>	<b>303.09</b>	<b>34.21</b>	<b>7,197.47</b>	<b>7,534.77</b>

#### Fair value hierarchy

Particulars	As at 31 December 2019				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
<b>Assets</b>								
Investments	<b>5,707.85</b>	5,623.67	84.18	-	<b>5,864.70</b>	3,790.48	2,074.22	-
Derivative assets	<b>628.55</b>	-	628.55	-	<b>991.25</b>	-	991.25	-
<b>Liabilities</b>								
Derivative liabilities	<b>219.85</b>	-	219.85	-	<b>337.30</b>	-	337.30	-

4. During the previous year, the Company has 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 had transferred ₹ 73.21 million to the Capital Redemption Reserve representing face value of equity shares bought back.

5. The Board of Directors, in 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 and has been paid during quarter ended 30 September 2019.

## 6. 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 ₹ 8,544.65 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 opinions 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 December 2019: ₹ 152.52 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: ₹ 191.59 million).
- d. 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.
- e. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 December 2019: ₹ 49.94 million (31 March 2019: ₹ 77.57 million).

## 7. 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 therefore exempt from disclosing segment information in the standalone financial statements.

## 8. DISAGGREGATION OF REVENUE

	(₹ million)			
	Quarter ended 31 December 2019	Quarter ended 31 December 2018	Nine months ended 31 December 2019	Nine months ended 31 December 2018
<b>Business verticals</b>				
Banking and Capital Market	4,778.21	3,440.52	13,189.55	10,041.15
Insurance	1,798.74	1,779.69	5,445.27	5,178.11
Information Technology, Communication and Entertainment	1,352.03	1,364.80	3,981.62	3,839.77
Emerging Industries	3,295.41	2,351.99	8,590.46	6,975.18
Unallocated - hedge	60.92	(314.05)	169.24	(641.69)
<b>Total</b>	<b>11,285.31</b>	<b>8,622.95</b>	<b>31,376.14</b>	<b>25,392.52</b>
<b>Geographic revenues</b>				
USA	8,319.60	6,459.15	23,002.68	18,608.58
India	1,141.29	1,114.40	3,291.65	3,439.52
EMEA	1,364.15	1,020.15	3,805.70	2,975.07
ROW	399.35	343.30	1,106.87	1,011.04
Unallocated - hedge	60.92	(314.05)	169.24	(641.69)
<b>Total</b>	<b>11,285.31</b>	<b>8,622.95</b>	<b>31,376.14</b>	<b>25,392.52</b>
<b>Services rendered</b>				
Application development	3,522.45	2,096.05	9,454.13	5,707.16
Application maintenance	4,195.41	3,777.68	11,908.00	11,041.60
Infrastructure management services	2,060.92	1,817.84	5,778.66	5,640.27
Knowledge Processing Services	43.39	13.59	63.31	17.36
Service / Technical helpdesk	226.32	256.84	672.24	786.47
Transaction processing service	1,013.30	862.56	2,915.33	2,448.72
Customer Service	159.55	112.44	382.39	386.89
License income	3.05	-	32.84	5.74
Unallocated - hedge	60.92	(314.05)	169.24	(641.69)
<b>Total</b>	<b>11,285.31</b>	<b>8,622.95</b>	<b>31,376.14</b>	<b>25,392.52</b>

	(₹ million)			
	Quarter ended 31 December 2019	Quarter ended 31 December 2018	Nine months ended 31 December 2019	Nine months ended 31 December 2018
<b>Delivery location</b>				
Onsite	2,122.15	1,021.95	5,169.75	2,931.12
Offshore	9,102.24	7,915.05	26,037.15	23,103.09
Unallocated - hedge	60.92	(314.05)	169.24	(641.69)
<b>Total</b>	<b>11,285.31</b>	<b>8,622.95</b>	<b>31,376.14</b>	<b>25,392.52</b>
<b>Project type</b>				
Time and material	7,083.61	5,918.39	20,016.16	17,298.26
Fixed price	4,140.78	3,018.61	11,190.74	8,735.95
Unallocated - hedge	60.92	(314.05)	169.24	(641.69)
<b>Total</b>	<b>11,285.31</b>	<b>8,622.95</b>	<b>31,376.14</b>	<b>25,392.52</b>
<b>Market</b>				
Direct international	7,874.10	5,852.01	21,569.38	16,869.49
DXC/ HP business	2,561.06	2,357.81	7,472.73	7,083.95
Others	789.22	727.18	2,164.79	2,080.77
Unallocated - hedge	60.92	(314.05)	169.24	(641.69)
<b>Total</b>	<b>11,285.30</b>	<b>8,622.95</b>	<b>31,376.14</b>	<b>25,392.52</b>

## 9. 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 Fair Value Through OCI. 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:

Currency	As at 31 December 2019			As at 31 March 2019		
	Number of contracts	Notional amount (million)	Fair value gain/(loss) (₹ million)	Number of contracts	Notional amount (million)	Fair value gain/(loss) (₹ million)
USD	469	513.50	329.09	360	461.70	391.60
GBP	83	16.18	13.64	59	15.23	68.72
EUR	73	13.95	61.30	53	13.77	105.64
AUD	62	8.59	13.34	36	8.70	28.62
<b>Total</b>			<b>417.37</b>			<b>594.58</b>

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

	(₹ million)	
	Nine months ended 31 December 2019	Nine months ended 31 December 2018
Balance at the beginning of the period	386.81	238.55
Change in fair value of effective portion of cash flow hedge	(7.97)	(1,344.88)
(Gain) / loss transferred to statement of profit and loss on occurrence of forecasted hedges	(169.24)	641.69
Income tax effect on the above	61.92	245.72
<b>Total</b>	<b>271.52</b>	<b>(218.92)</b>

### Sensitivity analysis

Every 1% appreciation/depreciation of the respective underlying foreign currencies, the Group's OCI will decrease/increase by approximately ₹ 390.00 million (31 March 2019: ₹ 330.00 million).

**10. RELATED PARTY TRANSACTIONS**

During the current year, the Company paid an amount of ₹ 2,627.58 million to Marble II Pte Ltd., the holding company towards final dividend. The dividend proposed by the Board of Directors has been approved by the shareholders in the Annual General meeting held on 25 July 2019.

During the previous year, the Company paid an amount of ₹ 2,024.62 million to Marble II Pte Ltd., the holding company towards final dividend and ₹ 5,282.65 million towards buy-back of shares as approved by the shareholders.

Other than above, the Company's material related party transactions during the period and outstanding balances as on date are with its subsidiaries with whom the Company routinely enters into transactions in the ordinary course of business.

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*

**Narayanan Kumar**

*Director*

**V. Suryanarayanan**

*Executive Vice President & Chief  
Financial Officer*

**Subramanian Narayan**

*Vice President &  
Company Secretary*

Bengaluru

6 February 2020

Bengaluru

6 February 2020