



**Audited condensed standalone interim financial statements
for the quarter ended 30 June 2020**

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Mphasis Limited
Condensed standalone interim financial statements

CONDENSED STANDALONE INTERIM BALANCE SHEET

(₹ million)

	As at 30 June 2020	As at 31 March 2020
ASSETS		
Non-current assets		
Property, plant and equipment	1,317.13	1,306.95
Capital work-in-progress	83.92	72.67
Right-of-use assets	4,688.05	4,939.67
Other intangible assets	86.82	97.27
Financial assets		
Investments	14,765.62	14,997.93
Loans	496.76	612.74
Other financial assets	25.45	151.78
Deferred tax assets (net)	1,496.23	1,922.47
Income tax assets (net)	4,117.98	4,118.10
Other assets	773.35	1,238.48
Total non-current assets	27,851.31	29,458.06
Current assets		
Financial assets		
Investments	10,761.69	3,166.79
Trade receivables	8,435.71	7,684.46
Unbilled receivables	3,435.06	3,596.83
Cash and cash equivalents	2,565.22	7,485.30
Bank balances other than cash and cash equivalents	122.20	-
Loans	1,210.33	1,158.28
Other financial assets	755.15	584.67
Other assets	1,964.80	1,989.24
Total current assets	29,250.16	25,665.57
TOTAL ASSETS	57,101.47	55,123.63
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,865.55	1,865.43
Other equity	37,342.74	34,906.59
Total equity	39,208.29	36,772.02
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Lease liabilities	4,666.42	4,853.38
Other financial liabilities	290.17	627.52
Other liabilities	4.19	-
Employee benefit obligations	567.82	687.76
Total non-current liabilities	5,528.60	6,168.66
Current liabilities		
Financial liabilities		
Borrowings	2,313.47	2,345.62
Lease liabilities	895.35	951.04
Trade payables		
- outstanding dues to micro and small enterprises	5.76	5.07
- outstanding dues to creditors other than micro and small enterprises	5,742.39	5,028.00
Other financial liabilities	2,153.65	2,750.84
Other liabilities	577.34	548.39
Employee benefit obligations	225.99	187.06
Provisions	55.34	55.34
Income tax liabilities (net)	395.29	311.59
Total current liabilities	12,364.58	12,182.95
TOTAL EQUITY AND LIABILITIES	57,101.47	55,123.63

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

New York

Narayanan Kumar

Director

Chennai

Manish Dugar

Chief Financial Officer

Bengaluru

23 July 2020

1

Subramanian Narayan

Vice President & Company Secretary

Bengaluru

Bengaluru

23 July 2020

Mphasis Limited
Condensed standalone interim financial statements

CONDENSED STANDALONE INTERIM STATEMENT OF PROFIT AND LOSS	(₹ million)	
	Quarter ended 30 June 2020	Quarter ended 30 June 2019
Income		
Revenue from operations	11,330.08	9,602.96
Other income	230.48	391.80
Total income (I)	11,560.56	9,994.76
Expenses		
Employee benefits expense	4,335.38	3,954.03
Finance costs	157.57	153.20
Depreciation and amortization expense	378.75	359.72
Other expenses	4,006.89	2,907.90
Total expenses (II)	8,878.59	7,374.85
Profit before tax (III) [(I)-(II)]	2,681.97	2,619.91
Tax expenses		
Current tax	600.91	640.31
Deferred tax	79.63	(78.48)
Total tax expenses	680.54	561.83
Profit for the period (A)	2,001.43	2,058.08
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	644.77	260.12
Income tax effect on the above	(225.31)	(90.90)
Items not to be reclassified to profit or loss in subsequent periods		
Re-measurement gains / (losses) on defined employee benefit plans	(37.69)	46.99
Income tax effect on the above	13.17	(16.42)
Total OCI for the period, net of tax (B)	394.94	199.79
Total comprehensive income for the period (A+B)	2,396.37	2,257.87
Earnings per equity share (par value ₹ 10 per share)		
Basic (₹)	10.73	11.05
Diluted (₹)	10.68	10.95
Weighted average number of shares – Basic	186,537,444	186,265,095
Weighted average number of shares – Diluted	187,484,038	187,895,930

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

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Amit Somani

Partner

Membership No. 060154

Nitin Rakesh

Chief Executive Officer

New York

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Mphasis Limited
Condensed standalone interim financial statements

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
As at 1 April 2019	186.22	1,862.26
Issue of shares	0.09	0.94
As at 30 June 2019	186.31	1,863.20
As at 1 April 2020	186.54	1,865.43
Issue of shares	0.01	0.12
As at 30 June 2020	186.55	1,865.55

b. Other equity

	Attributable to the equity owners of the Company								(₹ million)	
	Reserves and surplus							Items of OCI	Total	
	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		
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 period	-	-	2,058.08	-	-	-	-	-	2,058.08	
Other comprehensive income	-	-	30.57	-	-	-	-	169.22	199.79	
Transferred to Special Economic Zone re-investment reserve	-	-	(579.32)	-	-	579.32	-	-	-	
Transferred from Special Economic Zone re-investment reserve	-	-	121.92	-	-	(121.92)	-	-	-	
Share based expenses	-	-	-	-	-	-	32.20	-	32.20	
Issue of shares on exercise of stock options	58.31	0.33	-	-	-	-	(13.54)	-	45.10	
As at 30 June 2019	127.57	769.87	28,227.04	265.16	246.91	1,451.58	511.64	556.03	32,155.80	
As at 1 April 2020	266.18	1,984.38	30,636.93	265.16	246.91	1,760.52	581.21	(834.70)	34,906.59	
Profit for the period	-	-	2,001.43	-	-	-	-	-	2,001.43	
Other comprehensive income	-	-	(24.52)	-	-	-	-	419.46	394.94	
Transfer to general reserve	-	-	-	-	-	-	-	-	-	
Transferred to Special Economic Zone re-investment reserve	-	-	(156.92)	-	-	156.92	-	-	-	
Transferred from Special Economic Zone re-investment reserve	-	-	87.90	-	-	(87.90)	-	-	-	
Share based expenses	-	-	-	-	-	-	33.37	-	33.37	
Issue of shares on exercise of stock options	8.13	-	-	-	-	-	(1.72)	-	6.41	
As at 30 June 2020	274.31	1,984.38	32,544.82	265.16	246.91	1,829.54	612.86	(415.24)	37,342.74	

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.
- 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.

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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

New York

Narayanan Kumar

Director

Chennai

Bengaluru

23 July 2020

Manish Dugar

Chief Financial Officer

Bengaluru

23 July 2020

Subramanian Narayan

Vice President & Company Secretary

Bengaluru

CONDENSED STANDALONE INTERIM STATEMENT OF CASH FLOWS	Quarter ended 30 June 2020	Quarter ended 30 June 2019
		(₹ million)
Operating activities		
Profit before tax	2,681.97	2,619.91
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation and amortization expense	378.75	359.72
Profit on sale of property, plant and equipment and intangible assets	-	(2.90)
Net gain on investments carried at fair value through profit and loss	(80.20)	(132.95)
Share based payment expenses	9.96	7.95
Provision for expected credit loss	23.44	47.63
Finance costs	157.57	153.20
Interest income	(34.63)	(219.49)
Others	35.07	49.71
Unrealized exchange (gain)/loss, net	(101.94)	26.44
Operating profit before changes in operating assets and liabilities	3,069.99	2,909.22
Changes in operating assets and liabilities		
Trade receivables and unbilled receivables	(510.38)	(305.38)
Loans	73.57	(81.32)
Other financial assets	164.09	397.72
Other assets	113.14	93.19
Trade payables	715.08	248.28
Other financial liabilities	(251.88)	99.13
Other liabilities	33.14	113.10
Provisions and employee benefit obligations	(118.70)	23.16
Total changes in operating assets and liabilities	218.06	587.88
Income tax paid (net of refunds)	(382.62)	(363.99)
Net cash flows generated from operating activities (A)	2,905.43	3,133.11
Investing activities		
Purchase of property, plant and equipment and intangible assets	(137.49)	(166.47)
Proceeds from sale of property, plant and equipment and intangible assets	-	3.38
Purchase of investments	(15,620.41)	(16,854.27)
Sale of investments	8,338.02	14,688.58
Interest received	22.83	6.10
Investments in bank deposits	-	(69.99)
Net cash flows used in investing activities (B)	(7,397.05)	(2,392.67)
Financing activities		
Proceeds from issue of shares	6.53	46.04
Repayment of borrowings	(2,356.35)	(1,394.83)
Availment of borrowings	2,301.94	1,108.76
Interest paid	(136.69)	(36.33)
Repayment of lease liabilities	(242.65)	(329.14)
Dividends paid	(1.24)	(1.47)
Net cash flows used in financing activities (C)	(428.46)	(606.97)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(4,920.08)	133.47
Cash and cash equivalents at the beginning of the period	7,485.30	1,438.31
Cash and cash equivalents at the end of the period	2,565.22	1,571.78
Components of cash and cash equivalents		
In current accounts	2,186.03	1,391.11
Deposits with original maturity of less than 3 months	359.65	161.42
Unclaimed dividend	19.54	19.25
Total cash and cash equivalents	2,565.22	1,571.78

Explanatory notes annexed.

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23 July 2020

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Bengaluru

Bengaluru

23 July 2020

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 ended 30 June 2020. 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 condensed standalone interim financial statements as at and for the quarter ended 30 June 2020 have been approved by the Board of Directors on 23 July 2020.

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 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 the 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 2020. 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 2020.

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

The Company has taken into account the possible impacts of Covid-19 in preparation of the condensed standalone interim financial statements, including but not limited to its assessment of liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenues and on cost budgets in respect of fixed price contracts, impact on measurement of deferred tax assets / liabilities, impact on leases and impact on effectiveness of its hedging relationships. The Company has considered available sources of information upto the date of approval of the condensed standalone interim financial statements and expects to recover the carrying amount of its assets. The impact of Covid-19 on the condensed standalone interim financial statements may differ from that estimated as at the date of approval of these condensed standalone interim financial statements.

3. FINANCIAL INSTRUMENTS

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

(₹ million)

Particulars (as at 30 June 2020)	FVTPL	Derivative instruments	Derivative instruments not	Amortized	Total
		in hedging relationship	in hedging relationship	cost	
Financial assets					
Cash and cash equivalents	-	-	-	2,565.22	2,565.22
Bank balances other than cash and cash equivalents	-	-	-	122.20	122.20
Investments (other than investment in subsidiaries)	10,525.49	-	-	835.70	11,361.19
Trade receivables	-	-	-	8,435.71	8,435.71
Loans	-	-	-	1,707.09	1,707.09
Derivative assets	-	162.07	25.10	-	187.17
Unbilled receivables	-	-	-	3,435.06	3,435.06
Other financial assets	-	-	-	593.43	593.43
Total	10,525.49	162.07	25.10	17,694.41	28,407.07
Financial liabilities					
Borrowings	-	-	-	2,313.47	2,313.47
Lease liabilities	-	-	-	5,561.77	5,561.77
Trade payables	-	-	-	5,748.15	5,748.15
Derivative liabilities	-	800.34	27.93	-	828.27
Other financial liabilities	-	-	-	1,615.55	1,615.55
Total	-	800.34	27.93	15,238.94	16,067.21
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

Impact of Covid-19

Trade receivables and unbilled receivables of ₹ 11,870.77 million as at 30 June 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 (ECL). In addition to the historical pattern of credit loss, we have evaluated the likelihood of increased credit risk and consequential default considering 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.

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.

Fair value hierarchy

Particulars	As at 30 June 2020				As at 31 March 2020			
	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	10,525.49	9,927.58	597.91	-	3,166.79	2,578.07	588.72	-
Derivative assets	187.17	-	187.17	-	309.31	-	309.31	-
Liabilities								
Derivative liabilities	828.27	-	828.27	-	1,673.46	-	1,673.46	-

4. The Board of Directors, in its meeting held on 13 May 2020 had proposed the final dividend of ₹ 35 per share for the year ended 31 March 2020. The dividend proposed by the Board of Directors has been approved by the shareholders in the Annual General meeting held on 23 July 2020.

5. 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 ₹ 8,666.26 million (31 March 2020: ₹ 8,665.84 million).

In relation to other tax demands not included above, the Company has furnished bank guarantees amounting to ₹ 6,661.95 million (31 March 2020: ₹ 6,661.95 million). These demands are being contested by the Company based on management evaluation, advice of tax consultants and legal

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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 30 June 2020: ₹ 156.46 million (31 March 2020: ₹ 167.15 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 2020: ₹ 489.82 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 30 June 2020: ₹ 179.23 million (31 March 2020: ₹ 150.25 million).

6. 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.

7. DISAGGREGATION OF REVENUE

	(₹ million)	
	Quarter ended 30 June 2020	Quarter ended 30 June 2019
Business verticals		
Banking and Capital Market	4,920.42	3,889.17
Logistics and Transportation	2,064.69	1,363.97
Information Technology, Communication and Entertainment	1,204.68	1,320.15
Insurance	1,652.92	1,793.53
Others	1,641.22	1,230.86
Unallocated - hedge	(153.85)	5.28
Total	11,330.08	9,602.96
Geographic revenues		
Americas	8,629.73	7,031.52
India	942.97	1,016.13
EMEA	1,484.02	1,195.62
ROW	427.21	354.41
Unallocated - hedge	(153.85)	5.28
Total	11,330.08	9,602.96
Services rendered		
Application Services	8,222.79	6,593.15
Business Process Services	1,053.02	1,000.89
Infrastructure Services	2,208.12	2,003.64
Unallocated - hedge	(153.85)	5.28
Total	11,330.08	9,602.96
Delivery location		
Onsite	2,575.63	1,314.13
Offshore	8,908.30	8,283.55
Unallocated - hedge	(153.85)	5.28
Total	11,330.08	9,602.96
Project type		
Time and material	6,413.00	5,614.58
Fixed price	4,250.56	3,221.75
Volume based	820.37	761.35
Unallocated - hedge	(153.85)	5.28
Total	11,330.08	9,602.96
Market		
Direct International	9,245.03	7,139.62
DXC	1,892.32	1,995.26
Others	346.58	462.80
Unallocated - hedge	(153.85)	5.28
Total	11,330.08	9,602.96

Impact of Covid-19 on Revenue:

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.

8. HEDGING ACTIVITIES AND DERIVATIVES

The Company's revenue is denominated in various foreign currencies and certain costs are denominated in other than 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:

Currency	As at 30 June 2020			As at 31 March 2020		
	Number of contracts	Notional amount (million)	Fair value gain/(loss) (₹ million)	Number of contracts	Notional amount (million)	Fair value gain/(loss) (₹ million)
USD	435	487.70	(684.49)	492	549.20	(1,392.68)
GBP	72	12.81	46.05	84	15.53	36.50
EUR	71	12.42	10.57	83	14.60	30.37
AUD	61	8.46	(10.40)	70	9.88	42.77
Total			(638.27)			(1,283.04)

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

	Quarter ended 30 June 2020	Quarter ended 30 June 2019
Balance at the beginning of the period	(834.70)	386.81
Change in fair value of effective portion of cash flow hedge	490.92	265.40
(Gain) / loss transferred to statement of profit and loss on occurrence of forecasted hedges	153.85	(5.28)
Income tax effect on the above	(225.31)	(90.90)
Total	(415.24)	556.03

Sensitivity analysis

Every 1% appreciation/depreciation of the respective underlying foreign currencies, the Company's OCI will decrease or increase approximately by ₹ 393.00 million for the quarter ended 30 June 2020 (31 March 2020: ₹ 443.00 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.

9. RELATED PARTY TRANSACTIONS

During the previous year, the Company paid an amount of ₹ 2,627.58 million to Marble II Pte Ltd., the holding company towards final dividend as approved by the shareholders.

Other than the 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

New York

Narayanan Kumar

Director

Chennai

Manish Dugar

Chief Financial Officer

Bengaluru

23 July 2020

Subramanian Narayan

Vice President & Company Secretary

Bengaluru

Bengaluru

23 July 2020