

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Balance Sheet

		(₹ crore)	
		As at	As at
	Note	September 30, 2020	March 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	9(a)	10,767	10,941
Capital work-in-progress		1,035	906
Right-of-use assets	8	7,701	7,994
Goodwill	9(b)	1,774	1,710
Other intangible assets	9(c)	341	283
Financial assets			
Investments	7(a)	215	216
Trade receivables	7(b)	67	74
Unbilled receivables		300	324
Loans receivables	7(e)	49	29
Other financial assets	7(f)	1,224	1,184
Income tax assets (net)		1,907	2,462
Deferred tax assets (net)		3,052	2,828
Other assets	9(d)	1,590	1,711
Total non-current assets		30,022	30,662
Current assets			
Inventories	9(e)	5	5
Financial assets			
Investments	7(a)	36,402	26,140
Trade receivables	7(b)	28,242	30,532
Unbilled receivables		5,706	5,732
Cash and cash equivalents	7(c)	6,344	8,646
Other balances with banks	7(d)	4,234	1,020
Loans receivables	7(e)	11,349	8,475
Other financial assets	7(f)	1,970	1,473
Income tax assets (net)		15	8
Other assets	9(d)	9,109	8,206
Total current assets		1,03,376	90,237
TOTAL ASSETS		1,33,398	1,20,899
EQUITY AND LIABILITIES			
Equity			
Share capital	7(k)	375	375
Other equity		94,762	83,751
Equity attributable to shareholders of the Company		95,137	84,126
Non-controlling interests		638	623
Total equity		95,775	84,749
Liabilities			
Non-current liabilities			
Financial liabilities			
Lease liabilities		6,652	6,906
Other financial liabilities	7(g)	292	291
Unearned and deferred revenue		525	697
Employee benefit obligations	12	586	417
Deferred tax liabilities (net)		639	779
Total non-current liabilities		8,694	9,090
Current liabilities			
Financial liabilities			
Lease liabilities		1,230	1,268
Trade payables		5,789	6,740
Other financial liabilities	7(g)	5,072	6,100
Unearned and deferred revenue		2,972	2,915
Other liabilities	9(f)	4,254	3,283
Provisions	9(g)	1,419	293
Employee benefit obligations	12	3,244	2,749
Income tax liabilities (net)		4,949	3,712
Total current liabilities		28,929	27,060
TOTAL EQUITY AND LIABILITIES		1,33,398	1,20,899

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

For and on behalf of the Board

For **B S R & Co. LLP**

Chartered Accountants
Firm's registration no: 101248W/W-100022

Rajesh Gopinathan
CEO and Managing Director

V Ramakrishnan
CFO

Yezdi Nagporewalla
Partner
Membership No: 049265

Keki M Mistry
Director

Rajendra Moholkar
Company Secretary

Mumbai, October 7, 2020

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Statement of Profit and Loss

		(₹ crore)			
		Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Note					
	Revenue	40,135	38,977	78,457	77,149
	Other income	914	1,361	1,512	3,036
	TOTAL INCOME	41,049	40,338	79,969	80,185
	Expenses				
	Employee benefit expenses	22,665	21,470	44,758	42,279
	Cost of equipment and software licences	266	465	612	976
	Depreciation and amortisation expense	998	864	1,974	1,681
	Other expenses	5,691	6,817	11,550	13,632
	Finance costs	174	193	316	450
	TOTAL EXPENSES	29,794	29,809	59,210	59,018
	PROFIT BEFORE EXCEPTIONAL ITEM AND TAX	11,255	10,529	20,759	21,167
	Exceptional item				
	Provision towards legal claim	1,218	-	1,218	-
	PROFIT BEFORE TAX	10,037	10,529	19,541	21,167
	Tax expense				
	Current tax	2,849	1,687	5,514	4,721
	Deferred tax	(316)	784	(526)	235
	TOTAL TAX EXPENSE	2,533	2,471	4,988	4,956
	PROFIT FOR THE PERIOD	7,504	8,058	14,553	16,211
	OTHER COMPREHENSIVE INCOME (OCI)				
	Items that will not be reclassified subsequently to profit or loss				
	Remeasurement of defined employee benefit plans	(62)	(121)	74	(119)
	Net change in fair values of investments in equity shares carried at fair value through OCI	-	-	-	(20)
	Income tax on items that will not be reclassified subsequently to profit or loss	-	10	(29)	10
	Items that will be reclassified subsequently to profit or loss				
	Net change in fair values of investments other than equity shares carried at fair value through OCI	(284)	195	367	557
	Net change in intrinsic value of derivatives designated as cash flow hedges	68	(62)	59	(116)
	Net change in time value of derivatives designated as cash flow hedges	54	33	56	-
	Exchange differences on translation of financial statements of foreign operations	33	(55)	284	(3)
	Income tax on items that will be reclassified subsequently to profit or loss	73	(64)	(153)	(181)
	TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)	(118)	(64)	658	128
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,386	7,994	15,211	16,339
	Profit for the period attributable to:				
	Shareholders of the Company	7,475	8,042	14,483	16,173
	Non-controlling interests	29	16	70	38
	Total comprehensive income for the period attributable to:	7,504	8,058	14,553	16,211
	Shareholders of the Company	7,358	7,969	15,139	16,288
	Non-controlling interests	28	25	72	51
	Earnings per equity share:- Basic and diluted (₹)	19.93	21.43	38.60	43.10
	Weighted average number of equity shares	375,23,84,706	375,23,84,706	375,23,84,706	375,23,84,706

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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For **BSR & Co. LLP**

Chartered Accountants

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Partner

Membership No: 049265

Keki M Mistry

Director

Rajendra Moholkar

Company Secretary

Mumbai, October 7, 2020

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Statement of Changes in Equity

A. EQUITY SHARE CAPITAL

(₹ crore)		
Balance as at April 1, 2019	Changes in equity share capital during the period	Balance as at September 30, 2019
375	-	375

(₹ crore)		
Balance as at April 1, 2020	Changes in equity share capital during the period	Balance as at September 30, 2020
375	-	375

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Statement of Changes in Equity

B. OTHER EQUITY

OTHER EQUITY												(₹ crore)	
	Reserves and surplus						Items of other comprehensive income			Equity attributable to shareholders of the Company	Non-controlling interests	Total equity	
	Capital reserve	Capital redemption reserve	General reserve	Special Economic Zone re-investment reserve	Retained earnings	Statutory reserve	Investment revaluation reserve	Cash flow hedging reserve					Foreign currency translation reserve
								Intrinsic value	Time value				
Balance as at April 1, 2019	75	431	27	994	85,520	348	192	134	(30)	1,380	89,071	453	89,524
Transition impact of Ind AS 116, net of tax	-	-	-	-	(357)	-	-	-	-	-	(357)	(2)	(359)
Restated balance as at April 1, 2019	75	431	27	994	85,163	348	192	134	(30)	1,380	88,714	451	89,165
Profit for the period	-	-	-	-	16,173	-	-	-	-	-	16,173	38	16,211
Other comprehensive income / (losses)	-	-	-	-	(109)	-	342	(103)	-	(15)	115	13	128
Total comprehensive income	-	-	-	-	16,064	-	342	(103)	-	(15)	16,288	51	16,339
Dividend (including tax on dividend of ₹1,625 crore)	-	-	-	-	(10,252)	-	-	-	-	-	(10,252)	(68)	(10,320)
Impact on purchase of non-controlling interests	-	-	-	-	(93)	-	-	-	-	-	(93)	93	-
Transfer to Special Economic Zone re-investment reserve	-	-	-	1,500	(1,500)	-	-	-	-	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	(981)	981	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	(27)	27	-	-	-	-	-	-	-
Balance as at September 30, 2019	75	431	27	1513	90,336	375	534	31	(30)	1,365	94,657	527	95,184
Balance as at April 1, 2020	75	431	27	1,594	78,810	375	796	45	(68)	1,666	83,751	623	84,374
Profit for the period	-	-	-	-	14,483	-	-	-	-	-	14,483	70	14,553
Other comprehensive income / (losses)	-	-	-	-	45	-	239	47	44	281	656	2	658
Total comprehensive income	-	-	-	-	14,528	-	239	47	44	281	15,139	72	15,211
Dividend	-	-	-	-	(4,128)	-	-	-	-	-	(4,128)	(57)	(4,185)
Transfer to Special Economic Zone re-investment reserve	-	-	-	2,553	(2,553)	-	-	-	-	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	(1,297)	1,297	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	(11)	11	-	-	-	-	-	-	-
Balance as at September 30, 2020	75	431	27	2,850	87,943	386	1,035	92	(24)	1,947	94,762	638	95,400

Total equity (primarily retained earnings) includes ₹1,282 crore and ₹888 crore as at September 30, 2020 and 2019, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Statement of Changes in Equity

Nature and purpose of reserves

a. Capital reserve

The Group recognises profit and loss on purchase, sale, issue or cancellation of the Group's own equity instruments to capital reserve.

b. Capital redemption reserve

As per Companies Act, 2013, capital redemption reserve is created when company purchases its own shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve. The reserve is utilised in accordance with the provisions of section 69 of the Companies Act, 2013.

c. General reserve

The general reserve is a free reserve which is used from time to time to transfer profits from / to retained earnings for appropriation purposes. 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 statement of profit and loss.

d. Special Economic Zone re-investment reserve

The Special Economic Zone (SEZ) re-investment reserve is created out of the profit of eligible SEZ units in terms of the provisions of section 10AA(1)(ii) of the Income-tax Act, 1961. The reserve will be utilised by the Group for acquiring new assets for the purpose of its business as per the terms of section 10AA(2) of Income-tax Act, 1961.

e. Statutory reserve

Statutory reserves are created to adhere to requirements of applicable laws.

f. Investment revaluation reserve

This reserve represents the cumulative gains and losses arising on the revaluation of equity and debt instruments on the balance sheet date measured at fair value through other comprehensive income. The reserves accumulated will be reclassified to retained earnings and profit and loss respectively, when such instruments are disposed.

g. Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to statement of profit and loss in the period in which the underlying hedged transaction occurs.

h. Foreign currency translation reserve

The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian Rupee is recognised in other comprehensive income and is presented within equity in the foreign currency translation reserve.

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

For and on behalf of the Board

For **BSR & Co. LLP**

Chartered Accountants

Firm's registration no: 101248W/W-100022

Rajesh Gopinathan

CEO and Managing Director

V Ramakrishnan

CFO

Yezdi Nagporewalla

Partner

Membership No: 049265

Keki M Mistry

Director

Rajendra Moholkar

Company Secretary

Mumbai, October 7, 2020

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Statement of Cash Flows

	(₹ crore)	
	Six month period ended September 30, 2020	Six month period ended September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	14,553	16,211
Adjustments to reconcile profit and loss to net cash provided by operating activities		
Depreciation and amortisation expense	1,974	1,681
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	131	88
Provision towards legal claim (Refer note 18)	1,218	-
Tax expense	4,988	4,956
Net gain on lease modification	(2)	(2)
Unrealised foreign exchange gain	(27)	(19)
Net gain on disposal of property, plant and equipment	(6)	(37)
Net gain on investments	(90)	(138)
Interest income	(1,278)	(2,057)
Dividend income	(4)	(2)
Finance costs	316	450
Operating profit before working capital changes	21,773	21,131
Net change in		
Inventories	-	2
Trade receivables	4,634	(364)
Unbilled receivables	1,016	(1,226)
Loans receivables and other financial assets	(274)	190
Other assets	(338)	(2,147)
Trade payables	(3,676)	444
Unearned and deferred revenue	(547)	(201)
Other financial liabilities	(1,031)	(170)
Other liabilities and provisions	1,033	252
Cash generated from operations	22,590	17,911
Taxes paid (net of refunds)	(3,758)	(2,302)
Net cash generated from operating activities	18,832	15,609
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank deposits placed	(4,145)	(5,963)
Inter-corporate deposits placed	(10,493)	(5,844)
Purchase of investments *	(25,594)	(40,299)
Payment for purchase of property, plant and equipment	(1,156)	(1,094)
Payment including advances for acquiring right-of-use assets	(2)	(550)
Payment for purchase of intangible assets	(119)	(101)
Proceeds from bank deposits	926	437
Proceeds from inter-corporate deposits	7,389	5,562
Proceeds from disposal / redemption of investments *	15,746	39,635
Proceeds from disposal of property, plant and equipment	23	115
Interest received	1,328	1,816
Dividend received	4	2
Net cash used in investing activities	(16,093)	(6,284)

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Statement of Cash Flows

	(₹ crore)	
	Six month period ended September 30, 2020	Six month period ended September 30, 2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid (including tax on dividend in previous period)	(4,128)	(10,252)
Dividend paid to non-controlling interests (including tax on dividend in previous period)	(57)	(68)
Purchase of non-controlling interests	-	(227)
Repayment of lease liabilities	(681)	(528)
Interest paid	(313)	(448)
Net cash used in financing activities	(5,179)	(11,523)
Net change in cash and cash equivalents	(2,440)	(2,198)
Cash and cash equivalents at the beginning of the period	8,646	7,224
Exchange difference on translation of foreign currency cash and cash equivalents	138	48
Cash and cash equivalents at the end of the period (Refer note 7(c))	6,344	5,074

*Purchase of investments include ₹46 crore and ₹468 crore for six month periods ended September 30, 2020 and 2019, respectively, and proceeds from disposal / redemption of investments include ₹52 crore and ₹475 crore for six month periods ended September 30, 2020 and 2019, respectively, held by trusts and TCS Foundation held for specified purposes.

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Partner

Membership No: 049265

Keki M Mistry

Director

Rajendra Moholkar

Company Secretary

Mumbai, October 7, 2020

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Consolidated Interim Financial Statements

1) Corporate information

Tata Consultancy Services Limited ("the Company") and its subsidiaries (collectively together with the employee welfare trusts referred to as "the Group") provide IT services, consulting and business solutions and have been partnering with many of the world's largest businesses in their transformation journeys. The Group offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions. This is delivered through its unique Location-Independent Agile delivery model recognised as a benchmark of excellence in software development.

The Company is a public limited company incorporated and domiciled in India. The address of its corporate office is TCS House, Raveline Street, Fort, Mumbai 400001. As at September 30, 2020, Tata Sons Private Limited, the holding company owned 72.02% of the Company's equity share capital.

The Board of Directors approved the condensed consolidated interim financial statements for six months period ended September 30, 2020 and authorised for issue on October 7, 2020.

2) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") 34 Interim Financial Reporting prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended from time to time. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements, whenever applicable.

3) Basis of preparation

These condensed consolidated interim financial statements have been prepared on historical cost basis except for certain financial instruments and defined benefit plans which are measured at fair value or amortised cost at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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. All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle. Based on the nature of services rendered to customers and time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration for such services rendered, the Group has considered an operating cycle of 12 months.

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

The functional currency of the Company and its Indian subsidiaries is the Indian Rupee (₹). The functional currency of foreign subsidiaries is the currency of the primary economic environment in which the entity operates. Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are retranslated at the exchange rate prevailing on the balance sheet date and exchange gains and losses arising on settlement and restatement are recognised in the condensed consolidated interim statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

The significant accounting policies used in preparation of the condensed consolidated interim financial statements have been discussed in the respective notes.

4) Basis of consolidation

The Company consolidates all entities which are controlled by it.

The Company establishes control when; it has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect the entity's returns by using its power over relevant activities of the entity.

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

The results of subsidiaries acquired, or sold, during the year are consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Consolidated Interim Financial Statements

Assets and liabilities of entities with functional currency other than the functional currency of the Company have been translated using exchange rates prevailing on the balance sheet date. Statement of profit and loss of such entities has been translated using weighted average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount of exchange differences related to that foreign operation recognised in OCI is reclassified to statement of profit and loss as part of the gain or loss on disposal.

5) Use of estimates and judgements

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

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

The Group uses the following critical accounting estimates in preparation of its condensed consolidated interim financial statements:

a. Revenue recognition

- The Group's contracts with customers could include promises to transfer multiple products and services to a customer. The Group assesses the products / 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 and to ascribe the transaction price to each distinct performance obligation. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, 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. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product 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 Group 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 Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how 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 product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Revenue for fixed-price contracts is recognised using percentage-of-completion method. The Group uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of the completion of the performance obligation.

b. Useful lives of property, plant and equipment

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

c. Impairment of goodwill

The Group estimates the value-in-use of the cash generating unit (CGU) based on the future cash flows after considering current economic conditions and trends, estimated future operating results and growth rate and anticipated future economic and regulatory conditions. The estimated cash flows are developed using internal forecasts. The discount rate used for the CGU's represent the weighted average cost of capital based on the historical market returns of comparable companies.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Consolidated Interim Financial Statements

d. Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow model. 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.

e. Provision for income tax and deferred tax assets

The Group uses estimates and judgements based on the relevant rulings in the areas of allocation of revenue, costs, allowances and disallowances which is exercised while determining the provision for income tax. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Accordingly, the Group exercises its judgement to reassess the carrying amount of deferred tax assets at the end of each reporting period.

f. Provisions and contingent liabilities

The Group estimates the provisions that have present obligations as a result of past events and it is probable that outflow of resources will be required to settle the obligations. These provisions are reviewed at the end of each reporting date and are adjusted to reflect the current best estimates.

The Group uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognised nor disclosed in the condensed consolidated interim financial statements.

g. Employee benefits

The accounting of employee benefit plans in the nature of defined benefit requires the Group to use assumptions. These assumptions have been explained under employee benefits note.

h. Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

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.

Impact of COVID-19

The Group has taken into account the possible impacts of COVID-19 in preparation of the condensed consolidated 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 leases and impact on effectiveness of its hedging relationships. The Group has considered internal and certain external sources of information including reliable credit reports, economic forecasts and industry reports upto the date of approval of the condensed consolidated interim financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the condensed consolidated interim financial statements may differ from that estimated as at the date of approval of these condensed consolidated interim financial statements.

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Consolidated Interim Financial Statements

6) Business combinations

The Group accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in the condensed consolidated interim statement of profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date.

Purchase consideration paid in excess of the fair value of net assets acquired is recognised as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

Business combinations arising from transfers of interests in entities that are under common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity is recorded in shareholders' equity.

7) Financial assets, financial liabilities and equity instruments

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

Cash and cash equivalents

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

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

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

Financial assets at fair value through profit or loss

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

Financial liabilities

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

Equity instruments

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

TATA CONSULTANCY SERVICES LIMITED
Notes forming part of the Condensed Consolidated Interim Financial Statements

Derivative accounting

- **Instruments in hedging relationship**

The Group designates certain foreign exchange forward, currency options and futures contracts as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

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

The hedge instruments are designated and documented as hedges at the inception of the contract. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified in net foreign exchange gains in the statement of profit and loss.

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

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

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

- **Instruments not in hedging relationship**

The Group enters into the contracts that are effective as hedges from an economic perspective but they do not qualify for hedge accounting. The change in the fair value of such instrument is recognised in the statement of profit and loss.

Impairment of Financial assets (other than at fair value)

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Group recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

TATA CONSULTANCY SERVICES LIMITED
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(a) Investments

Investments consist of the following:

Investments – Non-current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Investments designated at fair value through OCI		
Fully paid equity shares (unquoted)		
Mozido LLC	74	75
FCM LLC	55	55
Taj Air Limited	19	19
Philippine Dealing System Holdings Corporation	7	7
Less: Impairment in value of investments	(114)	(114)
Investments carried at amortised cost		
Government bonds and securities (quoted)	164	164
Corporate bonds (quoted)	10	10
	215	216

Investments – Non-current includes ₹174 crore and ₹174 crore as at September 30, 2020 and March 31, 2020, respectively, pertains to trusts held for specified purposes.

Investments – Current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Investments carried at fair value through profit or loss		
Mutual fund units (quoted)	9,298	1,692
Investments carried at fair value through OCI		
Government bonds and securities (quoted)	24,409	24,290
Corporate bonds (quoted)	1,509	132
Investments carried at amortised cost		
Certificate of deposits (quoted)	397	-
Corporate bonds (quoted)	-	26
Commercial papers (quoted)	318	-
Treasury bills (quoted)	471	-
	36,402	26,140

Investments – Current includes ₹90 crore and ₹95 crore as at September 30, 2020 and March 31, 2020, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

Aggregate value of quoted and unquoted investments is as follows:

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Aggregate value of quoted investments	36,576	26,314
Aggregate value of unquoted investments (net of impairment)	41	42
Aggregate market value of quoted investments	36,550	26,336
Aggregate value of impairment of investments	114	114

TATA CONSULTANCY SERVICES LIMITED
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Market value of quoted investments carried at amortised cost is as follows:

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Government bonds and securities	190	186
Certificate of deposits	397	-
Corporate bonds	10	36
Commercial papers	318	-
Treasury bills	471	-

(b) Trade receivables

Trade receivables (unsecured) consist of the following:

Trade receivables – Non-current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Trade receivables	677	656
Less: Allowance for doubtful trade receivables	(610)	(582)
Considered good	67	74

Trade receivables – Current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Trade receivables	28,463	30,747
Less: Allowance for doubtful trade receivables	(298)	(306)
Considered good	28,165	30,441
Trade receivables	421	340
Less: Allowance for doubtful trade receivables	(344)	(249)
Credit impaired	77	91
	28,242	30,532

(c) Cash and cash equivalents

Cash and cash equivalents consist of the following:

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Balances with banks		
In current accounts	4,531	8,237
In deposit accounts	1,774	405
Cheques on hand*	-	1
Cash on hand	1	1
Remittances in transit	38	2
	6,344	8,646

*Represents value less than ₹0.50 crore.

Balances with banks in current accounts include ₹13 crore and ₹4 crore as at September 30, 2020 and March 31, 2020, respectively, pertaining to trusts held for specified purposes.

TATA CONSULTANCY SERVICES LIMITED
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(d) Other balances with banks

Other balances with banks consist of the following:

	(₹ crore)	
	As at	As at
	September 30, 2020	March 31, 2020
Earmarked balances with banks	211	215
Short-term bank deposits	4,023	805
	4,234	1,020

Earmarked balances with banks primarily relates to margin money for purchase of investments, margin money for derivative contracts and unclaimed dividends.

(e) Loans receivables

Loans receivables (unsecured) consist of the following:

Loans receivables – Non-current

	(₹ crore)	
	As at	As at
	September 30, 2020	March 31, 2020
Considered good		
Inter-corporate deposits	47	27
Loans and advances to employees	2	2
	49	29

Loans receivables – Current

	(₹ crore)	
	As at	As at
	September 30, 2020	March 31, 2020
Considered good		
Inter-corporate deposits	11,254	8,171
Loans and advances to employees	95	304
Credit impaired		
Loans and advances to employees	18	15
Less: Allowance on loans and advances to employees	(18)	(15)
	11,349	8,475

Inter-corporate deposits placed with financial institutions yield fixed interest rate.

Inter-corporate deposits includes ₹956 crore and ₹922 crore as at September 30, 2020 and March 31, 2020, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

(f) Other financial assets

Other financial assets consist of the following:

Other financial assets – Non-current

	(₹ crore)	
	As at	As at
	September 30, 2020	March 31, 2020
Security deposits	861	824
Earmarked balances with banks	3	1
Long-term bank deposits	350	348
Others	10	11
	1,224	1,184

TATA CONSULTANCY SERVICES LIMITED
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Other financial assets – Current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Security deposits	155	170
Fair value of foreign exchange derivative assets	847	425
Interest receivable	746	744
Others	222	134
	1,970	1,473

Interest receivable includes ₹32 crore and ₹43 crore as at September 30, 2020 and March 31, 2020, respectively, pertaining to trusts and TCS Foundation.

(g) Other financial liabilities

Other financial liabilities consist of the following:

Other financial liabilities – Non-current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Capital creditors	2	3
Others	290	288
	292	291

Others include advance taxes paid of ₹226 crore and ₹226 crore as at September 30, 2020 and March 31, 2020, respectively, by the seller of TCS e-Serve Limited (merged with the Company) which, on refund by the tax authorities, is payable to the seller.

Other financial liabilities – Current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Accrued payroll	3,533	3,907
Unclaimed dividends	48	53
Fair value of foreign exchange derivative liabilities	32	693
Capital creditors	455	502
Liabilities towards customer contracts	829	807
Others	175	138
	5,072	6,100

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(h) Financial instruments by category

The carrying value of financial instruments by categories as at September 30, 2020 is as follows:

	(₹ crore)					
	Fair value through profit or loss	Fair value through other comprehensive income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
Financial assets						
Cash and cash equivalents	-	-	-	-	6,344	6,344
Bank deposits	-	-	-	-	4,373	4,373
Earmarked balances with banks	-	-	-	-	214	214
Investments	9,298	25,959	-	-	1,360	36,617
Trade receivables	-	-	-	-	28,309	28,309
Unbilled receivables	-	-	-	-	6,006	6,006
Loans receivables	-	-	-	-	11,398	11,398
Other financial assets	-	-	230	617	1,994	2,841
Total	9,298	25,959	230	617	59,998	96,102
Financial liabilities						
Trade payables	-	-	-	-	5,789	5,789
Lease liabilities	-	-	-	-	7,882	7,882
Other financial liabilities	-	-	1	31	5,332	5,364
Total	-	-	1	31	19,003	19,035

The carrying value of financial instruments by categories as at March 31, 2020 is as follows:

						(₹ crore)
	Fair value through profit or loss	Fair value through other comprehensive income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
Financial assets						
Cash and cash equivalents	-	-	-	-	8,646	8,646
Bank deposits	-	-	-	-	1,153	1,153
Earmarked balances with banks	-	-	-	-	216	216
Investments	1,692	24,464	-	-	200	26,356
Trade receivables	-	-	-	-	30,606	30,606
Unbilled receivables	-	-	-	-	6,056	6,056
Loans receivables	-	-	-	-	8,504	8,504
Other financial assets	-	-	146	279	1,883	2,308
Total	1,692	24,464	146	279	57,264	83,845
Financial liabilities						
Trade payables	-	-	-	-	6,740	6,740
Lease liabilities	-	-	-	-	8,174	8,174
Other financial liabilities	-	-	34	659	5,698	6,391
Total	-	-	34	659	20,612	21,305

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables, loans receivables and trade payables as at September 30, 2020 and March 31, 2020, approximate the fair value. Difference between carrying amounts and fair values of bank deposits, earmarked balances with banks, other financial assets and other financial liabilities subsequently measured at amortised cost is not significant in each of the years presented. Fair value measurement of lease liabilities is not required. Fair value of investments carried at amortised cost is ₹1,386 crore and ₹222 crore as at September 30, 2020 and March 31, 2020, respectively.

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(i) Fair value hierarchy

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

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

The cost of unquoted investments included in Level 3 of fair value hierarchy approximate their fair value because there is a wide range of possible fair value measurements and the cost represents estimate of fair value within that range.

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

	(₹ crore)			
As at September 30, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	9,246	-	52	9,298
Equity shares	-	-	41	41
Government bonds and securities	24,599	-	-	24,599
Certificate of deposits	397	-	-	397
Corporate bonds	1,519	-	-	1,519
Commercial papers	318	-	-	318
Treasury bills	471	-	-	471
Derivative financial assets	-	847	-	847
Total	36,550	847	93	37,490
Financial liabilities				
Derivative financial liabilities	-	32	-	32
Total	-	32	-	32

	(₹ crore)			
As at March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	1,692	-	-	1,692
Equity shares	-	-	42	42
Government bonds and securities	24,476	-	-	24,476
Corporate bonds	168	-	-	168
Derivative financial assets	-	425	-	425
Total	26,336	425	42	26,803
Financial liabilities				
Derivative financial liabilities	-	693	-	693
Total	-	693	-	693

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(j) Derivative financial instruments and hedging activity

The Group's revenue is denominated in various foreign currencies. Given the nature of the business, a large portion of the costs are denominated in Indian Rupee. This exposes the Group to currency fluctuations.

The Board of Directors have constituted a Risk Management Committee (RMC) to frame, implement and monitor the risk management plan of the Group which inter-alia covers risks arising out of exposure to foreign currency fluctuations. Under the guidance and framework provided by the RMC, the Group uses various derivative instruments such as foreign exchange forward, currency options and futures contracts in which the counter party is generally a bank.

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

Foreign currency	As at September 30, 2020			As at March 31, 2020		
	No. of contracts	Notional amount of contracts (In million)	Fair value (₹ crore)	No. of contracts	Notional amount of contracts (In million)	Fair value (₹ crore)
US Dollar	45	1,150	117	55	1,420	20
Great Britain Pound	74	385	62	71	384	59
Euro	75	392	29	38	363	(31)
Australian Dollar	46	240	12	26	192	48
Canadian Dollar	21	108	9	19	104	16

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

	(₹ crore)			
	Six month period ended September 30, 2020		Year ended March 31, 2020	
	Intrinsic value	Time value	Intrinsic value	Time value
Balance at the beginning of the period	45	(68)	134	(30)
(Gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	(124)	270	(449)	513
Deferred tax on (gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	26	(70)	54	(38)
Change in the fair value of effective portion of cash flow hedges	183	(214)	355	(565)
Deferred tax on fair value of effective portion of cash flow hedges	(38)	58	(49)	52
Balance at the end of the period	92	(24)	45	(68)

The Group has entered into derivative instruments not in hedging relationship by way of foreign exchange forward, currency options and futures contracts. As at September 30, 2020 and March 31, 2020, the notional amount of outstanding contracts aggregated to ₹35,137 crore and ₹40,298 crore, respectively and the respective fair value of these contracts have a net gain of ₹586 crore and net loss of ₹380 crore.

Exchange gain of ₹386 crore and ₹63 crore on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in the condensed consolidated interim statement of profit and loss for three month periods ended September 30, 2020 and 2019, respectively.

Exchange gain of ₹372 crore and ₹416 crore on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in the condensed consolidated interim statement of profit and loss for six month periods ended September 30, 2020 and 2019, respectively.

Net foreign exchange gains include loss of ₹10 crore and gain of ₹40 crore transferred from cash flow hedging reserve for three month periods ended September 30, 2020 and 2019, respectively.

Net foreign exchange gains include loss of ₹146 crore and gain of ₹136 crore transferred from cash flow hedging reserve for six month periods ended September 30, 2020 and 2019, respectively.

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Impact of COVID-19

Foreign currency exchange rate risk

The Group basis their assessment believes that the probability of the occurrence of their forecasted transactions is not impacted by COVID-19 pandemic. The Group 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 Group continues to believe that there is no impact on effectiveness of its hedges.

Other risks

Financial assets carried at fair value as at September 30, 2020 is ₹36,104 crore and financial assets carried at amortised cost as at September 30, 2020 is ₹59,998 crore. A significant part of the financial assets carried at fair values are classified as Level 1 having fair values of ₹36,550 crore as at September 30, 2020. The fair value of these assets is marked to an active market which factors the uncertainties arising out of COVID-19. The financial assets carried at fair value by the Group are mainly investments in liquid debt securities and accordingly, any material volatility is not expected.

Financial assets of ₹10,931 crore as at September 30, 2020 carried at amortised cost is in the form of cash and cash equivalents, bank deposits and earmarked balances with banks where the Group has assessed the counterparty credit risk. Trade receivables of ₹28,309 crore as at September 30, 2020 forms a significant part of the financial assets carried at amortised cost which is valued considering provision for allowance using expected credit loss method. In addition to the historical pattern of credit loss, we have considered the likelihood of delayed payments, increased credit risk and consequential default considering emerging situations while arriving at the carrying value of these assets. This assessment is not based on any mathematical model but an assessment considering the nature of verticals, impact immediately seen in the demand outlook of these verticals and the financial strength of the customers. The Group has specifically evaluated the potential impact with respect to customers in Retail, Travel, Transportation and Hospitality, Manufacturing and Energy verticals having an immediate impact and the rest having an impact with a lag. The Group closely monitors its customers who are going through financial stress and assesses actions such as change in payment terms, discounting of receivables with institutions on no-recourse basis, recognition of revenue on collection basis etc., depending on severity of each case. The collections pattern from the customers in the current period does not indicate stress beyond what has been factored while computing the allowance for expected credit losses. The same assessment is done in respect of unbilled receivables and contract assets of ₹10,022 crore as at September 30, 2020 while arriving at the level of provision that is required. Basis this assessment, the expected credit loss allowance for trade receivables of ₹1,252 crore as at September 30, 2020 is considered adequate.

(k) Equity instruments

The authorised, issued, subscribed and fully paid-up share capital consist of the following:

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Authorised		
460,05,00,000 equity shares of ₹1 each	460	460
(March 31, 2020: 460,05,00,000 equity shares of ₹1 each)		
105,02,50,000 preference shares of ₹1 each	105	105
(March 31, 2020: 105,02,50,000 preference shares of ₹1 each)		
	565	565
Issued, Subscribed and Fully paid up		
375,23,84,706 equity shares of ₹1 each	375	375
(March 31, 2020: 375,23,84,706 equity shares of ₹1 each)		
	375	375

The Company's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. The Company is not subject to any externally imposed capital requirements.

8) Leases

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.

Group as a lessee

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

The Group 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 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 any 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 Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, 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 Group 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 Group recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. 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 Group recognises any remaining amount of the re-measurement in statement of profit and loss.

The Group has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group 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 Group 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 Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies Ind AS 115 Revenue from contracts with customers to allocate the consideration in the contract.

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The details of the right-of-use asset held by the Group is as follows:

	(₹ crore)	
	Additions for six month period ended September 30, 2020	Net carrying amount as at September 30, 2020
Leasehold land	-	686
Buildings	450	6,929
Leasehold improvements	-	40
Computer equipment	4	12
Vehicles	14	24
Office equipment	1	10
	469	7,701

	(₹ crore)	
	Additions for the year ended March 31, 2020	Net carrying amount as at March 31, 2020
Leasehold land	474	690
Buildings	2,443	7,218
Leasehold improvements	15	46
Computer equipment	7	13
Vehicles	5	16
Office equipment	7	11
	2,951	7,994

Depreciation on right-of-use asset is as follows:

	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Leasehold land	2	1	4	2
Buildings	368	292	735	580
Leasehold improvements	3	2	6	4
Computer equipment	1	4	5	8
Vehicles	3	2	6	5
Office equipment	1	-	2	-
	378	301	758	599

Interest on lease liabilities is ₹133 crore and ₹111 crore and ₹269 crore and ₹229 crore for three and six month periods ended on September 30, 2020 and 2019, respectively.

Impact of COVID-19

The Group does not foresee any large-scale contraction in demand which could result in significant down-sizing of our employee base rendering the physical infrastructure redundant. The leases that the Group has entered with lessors towards properties used as delivery centers / sales offices are long term in nature and no significant changes in the terms of those leases are expected due to the COVID-19.

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9) Non-financial assets and liabilities

(a) Property, plant and equipment

Property, plant and equipment are stated at cost comprising of purchase price and any initial directly attributable cost of bringing the asset to its working condition for its intended use, less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation is provided for property, plant and equipment on a straight-line basis so as to expense the cost less residual value over their estimated useful lives based on a technical evaluation. The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

The estimated useful lives are as mentioned below:

Type of asset	Useful lives
Buildings	20 years
Leasehold improvements	Lease term
Plant and equipment	10 years
Computer equipment	4 years
Vehicles	4 years
Office equipment	5 years
Electrical installations	4-10 years
Furniture and fixtures	5 years

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

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

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

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Property, plant and equipment consist of the following:

	(₹ crore)									
	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
Cost as at April 1, 2020	347	7,719	2,427	681	8,794	42	2,509	2,039	1,886	26,444
Additions	-	14	21	19	815	1	61	15	27	973
Disposals	-	(10)	(11)	(1)	(50)	(4)	(17)	(5)	(7)	(105)
Translation exchange difference	(1)	(2)	4	2	36	-	5	-	(1)	43
Cost as at September 30, 2020	346	7,721	2,441	701	9,595	39	2,558	2,049	1,905	27,355
Accumulated depreciation as at April 1, 2020	-	(2,563)	(1,441)	(228)	(6,414)	(34)	(2,068)	(1,266)	(1,489)	(15,503)
Depreciation	-	(197)	(98)	(35)	(570)	(2)	(106)	(76)	(70)	(1,154)
Disposals	-	7	11	1	38	4	16	4	7	88
Translation exchange difference	-	1	(3)	(2)	(12)	-	(3)	1	(1)	(19)
Accumulated depreciation as at September 30, 2020	-	(2,752)	(1,531)	(264)	(6,958)	(32)	(2,161)	(1,337)	(1,553)	(16,588)
Net carrying amount as at September 30, 2020	346	4,969	910	437	2,637	7	397	712	352	10,767

	(₹ crore)									
	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Computer equipment	Vehicles	Office equipment	Electrical installations	Furniture and fixtures	Total
Cost as at April 1, 2019	345	7,429	2,403	552	7,687	39	2,377	1,935	1,755	24,522
Transition impact of Ind AS 116	-	-	(106)	-	(130)	-	(5)	-	(2)	(243)
Restated cost as at April 1, 2019	345	7,429	2,297	552	7,557	39	2,372	1,935	1,753	24,279
Additions	-	290	302	134	1,620	5	223	119	165	2,858
Disposals	-	(7)	(185)	-	(379)	(2)	(90)	(19)	(51)	(733)
Translation exchange difference	2	7	13	(5)	(4)	-	4	4	19	40
Cost as at March 31, 2019	347	7,719	2,427	681	8,794	42	2,509	2,039	1,886	26,444
Accumulated depreciation as at April 1, 2019	-	(2,187)	(1,396)	(172)	(5,906)	(31)	(1,921)	(1,132)	(1,366)	(14,111)
Transition impact of Ind AS 116	-	-	60	-	129	-	4	-	1	194
Restated accumulated depreciation as at April 1, 2019	-	(2,187)	(1,336)	(172)	(5,777)	(31)	(1,917)	(1,132)	(1,365)	(13,917)
Depreciation	-	(379)	(191)	(60)	(998)	(5)	(232)	(147)	(160)	(2,172)
Disposals	-	6	99	-	357	2	85	18	51	618
Translation exchange difference	-	(3)	(13)	4	4	-	(4)	(5)	(15)	(32)
Accumulated depreciation as at March 31, 2020	-	(2,563)	(1,441)	(228)	(6,414)	(34)	(2,068)	(1,266)	(1,489)	(15,503)
Net carrying amount as at March 31, 2020	347	5,156	986	453	2,380	8	441	773	397	10,941

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(b) Goodwill

Goodwill represents the cost of acquired business as established at the date of acquisition of the business in excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities less accumulated impairment losses, if any. Goodwill is tested for impairment annually or when events or circumstances indicate that the implied fair value of goodwill is less than its carrying amount.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication for impairment. The financial projections basis which the future cash flows have been estimated consider the increase in economic uncertainties due to COVID-19, reassessment of the discount rates, revisiting the growth rates factored while arriving at terminal value and subjecting these variables to sensitivity analysis. If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit.

Goodwill consist of the following:

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Balance at the beginning of the period	1,710	1,700
Translation exchange difference	64	10
Balance at the end of the period	1,774	1,710

(c) Other intangible assets

Intangible assets purchased including acquired in business combination, are measured at cost as at the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any.

Intangible assets consist of rights under licensing agreement and software licences and customer-related intangibles.

Following table summarises the nature of intangibles and their estimated useful lives:

Type of asset	Useful lives
Rights under licensing agreement and software licences	Lower of licence period and 2-5 years
Customer-related intangibles	3 years

Intangible assets are amortised on a straight-line basis over the period of its economic useful life.

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

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

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Intangible assets consist of the following:

	(₹ crore)		
	Rights under licensing agreement and software licences	Customer- related intangibles	Total
Cost as at April 1, 2020	448	120	568
Additions	119	-	119
Translation exchange difference	1	2	3
Cost as at September 30, 2020	568	122	690
Accumulated amortisation as at April 1, 2020	(180)	(105)	(285)
Amortisation	(57)	(5)	(62)
Translation exchange difference	-	(2)	(2)
Accumulated amortisation as at September 30, 2020	(237)	(112)	(349)
Net carrying amount as at September 30, 2020	331	10	341

	(₹ crore)		
	Rights under licensing agreement and software licences	Customer- related intangibles	Total
Cost as at April 1, 2019	256	115	371
Additions	192	-	192
Translation exchange difference	-	5	5
Cost as at March 31, 2020	448	120	568
Accumulated amortisation as at April 1, 2019	(102)	(90)	(192)
Amortisation	(80)	(9)	(89)
Translation exchange difference	2	(6)	(4)
Accumulated amortisation as at March 31, 2020	(180)	(105)	(285)
Net carrying amount as at March 31, 2020	268	15	283

(d) Other assets

Other assets consist of the following:

Other assets – Non-current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Considered good		
Contract assets	139	197
Prepaid expenses	819	839
Contract fulfillment costs	245	286
Capital advances	48	55
Advances to related parties	31	36
Others	308	298
	1,590	1,711
Advances to related parties, considered good, comprise:		
Voltas Limited	2	3
Tata Realty and Infrastructure Ltd*	-	-
Tata Projects Limited	29	33
Titan Engineering and Automation Limited*	-	-

*Represents value less than ₹0.50 crore.

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Other assets – Current

	(₹ crore)	
	As at	As at
	September 30, 2020	March 31, 2020
Considered good		
Contract assets	3,877	4,292
Prepaid expenses	2,777	1,498
Prepaid rent	15	15
Contract fulfillment costs	694	621
Advance to suppliers	169	136
Advance to related parties	9	11
Indirect taxes recoverable	1,319	1,374
Other advances	154	130
Others	95	129
Considered doubtful		
Advance to suppliers	3	3
Indirect taxes recoverable	-	2
Other advances	2	3
Less: Allowance on doubtful assets	(5)	(8)
	9,109	8,206
Advance to related parties, considered good comprise:		
The Titan Company Limited	1	3
Tata AIA Life Insurance Company Limited	1	1
Tata Sons Private Limited	7	7

Non-current – Others includes advance of ₹271 crore and ₹271 crore towards acquiring right-of-use of leasehold land as at September 30, 2020 and March 31, 2020, respectively.

(e) Inventories

Inventories consists of a) Raw materials, sub-assemblies and components, b) Work-in-progress, c) Stores and spare parts and d) Finished goods. Inventories are carried at lower of cost and net realisable value. The cost of raw materials, sub-assemblies and components is determined on a weighted average basis. Cost of finished goods produced or purchased by the Group includes direct material and labour cost and a proportion of manufacturing overheads.

Inventories consist of the following:

	(₹ crore)	
	As at	As at
	September 30, 2020	March 31, 2020
Raw materials, sub-assemblies and components	5	5
Finished goods and work-in-progress *	-	-
Stores and spares *	-	-
	5	5

*Represents value less than ₹0.50 crore.

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(f) Other liabilities

Other liabilities consist of the following:

Other liabilities – Current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Advance received from customers	290	345
Indirect taxes payable and other statutory liabilities	3,899	2,874
Operating lease liabilities	-	2
Others	65	62
	4,254	3,283

(g) Provisions

Provisions consist of the following:

Provisions – Current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Provision towards legal claim (Refer note 18)	1,218	-
Provision for foreseeable loss	144	238
Other provisions	57	55
	1,419	293

10) Revenue recognition

The Group earns revenue primarily from providing IT services, consulting and business solutions. The Group offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those products or services.

- Revenue from time and material and job contracts is recognised on output basis measured by units delivered, efforts expended, number of transactions processed, etc.
- Revenue related to fixed price maintenance and support services contracts where the Group is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.
- In respect of other fixed-price contracts, revenue is recognised using percentage-of-completion method ('POC method') of accounting with contract costs incurred determining the degree of completion of the performance obligation. The contract costs used in computing the revenues include cost of fulfilling warranty obligations.
- Revenue from the sale of distinct internally developed software and manufactured systems and third party software is recognised upfront at the point in time when the system / software is delivered to the customer. In cases where implementation and / or customisation services rendered significantly modifies or customises the software, these services and software are accounted for as a single performance obligation and revenue is recognised over time on a POC method .
- 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 Group may include supply of third-party equipment or software. In such cases, revenue for supply of such third party products are recorded at gross or net basis depending on whether the Group is acting as the principal or as an agent of the customer. The Group 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 is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

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Contract fulfilment costs are generally expensed as incurred except for certain software licence costs which meet the criteria for capitalisation. Such costs are amortised over the contractual period or useful life of the licence, whichever is less. 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.

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 is billings in excess of revenues.

The billing schedules agreed with customers include periodic performance based payments and / or milestone based progress payments. Invoices are payable within contractually agreed credit period.

In accordance with Ind AS 37, the Group recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. The Group reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

The Group disaggregates revenue from contracts with customers by nature of services, industry verticals and geography.

Revenue disaggregation by nature of services is as follows:

	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Consultancy services	39,828	38,449	77,756	76,038
Sale of equipment and software licences	307	528	701	1,111
	40,135	38,977	78,457	77,149

Revenue disaggregation by industry vertical and geography has been included in segment information (Refer note 17).

Impact of COVID-19

While the Group believes strongly that it has a rich portfolio of services to partner with customers, the impact on future revenue streams could come from the inability of our customers to continue their businesses due to financial resource constraints or their services no-longer being availed by their customers. The Group has assessed that customers in Retail, Travel, Transportation and Hospitality, Energy and Manufacturing verticals are more prone to immediate impact due to disruption in supply chain and drop in demand while customers in Banking, Financial Services to have a lag impact due to dependence of revenues from the impacted verticals. The financial performance in the current quarter reflects the impact on revenues from affected sectors and the Group has considered such impact to the extent known and available currently. While entities are re-calibrating their approach to deal with the economic impact of the pandemic in their operations, the assessment of impact on future revenues is a continuing process given the uncertainties associated with its nature and duration.

The supply side disruptions due to ongoing pandemic, which could result in having impact on future cost budgets or delays in meeting contractual commitments have largely been taken care of by deploying SBWS™, approvals from the customer to render services through SBWS™. The Group has taken steps to assess the cost budgets required to complete its performance obligations in respect of fixed price projects and incorporated the impact of likely delays / increased costs in meetings its obligations. Such impact could be in the form of provision for onerous contracts or re-setting of revenue recognition in fixed price contract where revenue is recognised on percentage-of-completion basis. The Group has also assessed the impact of delays and inability to meet contractual commitments and has taken actions such as engaging with the customer to agree on revised SLAs in light of current crisis, invoking of force-majeure clause etc. to ensure that revenue recognition in such cases reflect realisable revenues.

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11) Other income

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

Other income consists of the following:

	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Interest income	661	867	1,278	2,057
Dividend income	4	1	4	2
Net gain on investments carried at fair value through profit or loss	43	41	90	138
Net gain on disposal of property, plant and equipment	6	34	6	37
Net foreign exchange gain	198	402	118	781
Rent income	1	-	1	1
Other income	1	16	15	20
	914	1,361	1,512	3,036
Interest income comprise:				
Interest on bank balances and bank deposits	39	155	59	305
Interest on financial assets carried at amortised cost	176	162	331	330
Interest on financial assets carried at fair value through OCI	445	513	886	991
Other interest (including interest on tax refunds)	1	37	2	431
Dividend income comprises:				
Dividend from mutual fund units and other investments	4	1	4	2

12) Employee benefits

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost, both vested and unvested, is recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits.

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

The Group provides benefits such as gratuity, pension and provident fund (Company managed fund) to its employees which are treated as defined benefit plans.

Defined contribution plans

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

The Group provides benefits such as superannuation, provident fund (other than Company managed fund) and foreign defined contribution plans to its employees which are treated as defined contribution plans.

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Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages etc. and the expected cost of ex-gratia are recognised in the period in which the employee renders the related service. A liability is recognised for the amount expected to be paid when there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Compensated absences

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

Employee benefit expenses consist of the following:

	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Salaries, incentives and allowances	20,601	19,464	40,586	38,241
Contributions to provident and other funds	1,517	1,430	3,050	2,881
Staff welfare expenses	547	576	1,122	1,157
	22,665	21,470	44,758	42,279

Employee benefit obligations consist of the following:

Employee benefit obligations – Non-current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Gratuity liability	10	8
Foreign defined benefit plans	467	308
Other employee benefit obligations	109	101
	586	417

Employee benefit obligations – Current

	(₹ crore)	
	As at September 30, 2020	As at March 31, 2020
Compensated absences	3,197	2,720
Other employee benefit obligations	47	29
	3,244	2,749

13) Cost recognition

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

The costs of the Group are broadly categorised into employee benefit expenses, cost of equipment and software licences, depreciation and amortisation and other expenses. Other expenses mainly include fees to external consultants, facility expenses, travel expenses, communication expenses, bad debts and advances written off, allowance for doubtful trade receivables and advances (net) and other expenses. Other expenses is an aggregation of costs which are individually not material such as commission and brokerage, recruitment and training, entertainment, etc.

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(a) Cost of equipment and software licences

Cost of equipment and software licences consist of the following:

	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Raw materials, sub-assemblies and components consumed	7	3	7	11
Equipment and software licences purchased	259	462	605	965
	266	465	612	976
Finished goods and work-in-progress				
Opening stock*	-	-	-	-
Less: Closing stock*	-	-	-	-
	266	465	612	976

*Represents value less than ₹0.50 crore.

(b) Other expenses

Other expenses consist of the following:

	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Fees to external consultants	3,047	3,279	6,110	6,473
Facility expenses	500	704	1,037	1,387
Travel expenses	282	815	568	1,749
Communication expenses	480	420	940	798
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	78	38	131	88
Other expenses	1,304	1,561	2,764	3,137
	5,691	6,817	11,550	13,632

14) Finance costs

Finance costs consist of the following:

	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Interest on lease liabilities	133	111	269	229
Interest on tax matters	37	80	39	216
Other interest costs	4	2	8	5
	174	193	316	450

15) 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 taxes are recognised in 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 taxes

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

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

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The current income tax expense for overseas subsidiaries has been computed based on the tax laws applicable to each subsidiary in the respective jurisdiction in which it operates.

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

Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, to the extent it would be available for set off against future current income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

Direct tax contingencies

The Company and its subsidiaries have ongoing disputes with income tax authorities in India and in some of the jurisdictions where they operate. The disputes relate to tax treatment of certain expenses claimed as deductions, computation or eligibility of tax incentives or allowances, and characterisation of fees for services received. The Company and its subsidiaries have contingent liability of ₹1,515 crore and ₹1,512 crore as at September 30, 2020 and March 31, 2020, respectively, in respect of tax demands which are being contested by the Company and its subsidiaries based on the management evaluation and advice of tax consultants. In respect of tax contingencies of ₹318 crore and ₹318 crore as at September 30, 2020 and March 31, 2020, respectively, not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

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

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16) Earnings per share

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

	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Profit for the period attributable to shareholders of the Company (₹ crore)	7,475	8,042	14,483	16,173
Weighted average number of equity shares	375,23,84,706	375,23,84,706	375,23,84,706	375,23,84,706
Basic and diluted earnings per share (₹)	19.93	21.43	38.60	43.10
Face value per equity share (₹)	1	1	1	1

17) Segment information

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. The Group's chief operating decision maker is the Chief Executive Officer and Managing Director.

The Group has identified business segments ('industry vertical') as reportable segments. The business segments comprise: 1) Banking, Financial Services and Insurance, 2) Manufacturing, 3) Retail and Consumer Business, 4) Communication, Media and Technology and 5) Others such as Energy, Resources and Utilities, Life Sciences and Healthcare, s-Governance and Products.

Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenue of the segment or manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

The assets and liabilities of the Group are used interchangeably amongst segments. Allocation of such assets and liabilities is not practicable and any forced allocation would not result in any meaningful segregation. Hence assets and liabilities have not been identified to any of the reportable segments.

Summarised segment information for three and six month periods ended September 30, 2020 and 2019 is as follows:

Three month period ended September 30, 2020						(₹ crore)
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Revenue	16,138	3,826	6,353	6,560	7,258	40,135
Segment result	4,773	1,029	1,844	1,917	1,950	11,513
Total unallocable expenses*						2,390
Operating income						9,123
Other income						914
Profit before tax						10,037
Tax expense						2,533
Profit for the period						7,504

Six month period ended September 30, 2020						(₹ crore)
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Revenue	31,420	7,710	12,265	13,055	14,007	78,457
Segment result	8,888	2,015	3,146	3,803	3,685	21,537
Total unallocable expenses*						3,508
Operating income						18,029
Other income						1,512
Profit before tax						19,541
Tax expense						4,988
Profit for the period						14,553

* Includes the provision towards legal claim of ₹1,218 crore. Refer note 18

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Three month period ended September 30, 2019	(₹ crore)					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Revenue	15,427	4,039	6,467	6,383	6,661	38,977
Segment result	4,264	1,050	1,630	1,850	1,430	10,224
Total unallocable expenses						1,056
Operating income						9,168
Other income						1,361
Profit before tax						10,529
Tax expense						2,471
Profit for the period						8,058

Six month period ended September 30, 2019	(₹ crore)					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
Revenue	30,405	8,080	12,889	12,619	13,156	77,149
Segment result	8,359	2,120	3,313	3,678	2,789	20,259
Total unallocable expenses						2,128
Operating income						18,131
Other income						3,036
Profit before tax						21,167
Tax expense						4,956
Profit for the period						16,211

Geographical revenue is allocated based on the location of the customers.

Information regarding geographical revenue is as follows:

Geography	(₹ crore)			
	Three month period ended September 30, 2020	Three month period ended September 30, 2019	Six month period ended September 30, 2020	Six month period ended September 30, 2019
Americas (1)	20,678	20,449	41,020	40,466
Europe (2)	12,774	11,810	24,615	23,283
India	1,998	2,232	3,664	4,520
Others	4,685	4,486	9,158	8,880
	40,135	38,977	78,457	77,149

- (1) is substantially related to operations in the United States of America.
- (2) includes revenue in the United Kingdom of ₹6,214 crore and ₹6,099 crore for three month periods September 30, 2020 and 2019, respectively.
- (2) includes revenue in the United Kingdom of ₹12,078 crore and ₹12,131 crore for six month periods September 30, 2020 and 2019, respectively.

18) Commitments and contingent liabilities

Capital commitments

The Group has contractually committed (net of advances) ₹1,198 crore and ₹1,396 crore as at September 30, 2020 and March 31, 2020, respectively, for purchase of property, plant and equipment.

Contingencies

- Direct tax matters

Refer note 15.

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- **Indirect tax matters**

The Company and its subsidiaries have ongoing disputes with Indian tax authorities mainly relating to treatment of characterisation and classification of certain items. The Company and its subsidiaries in India have demands amounting to ₹521 crore and ₹517 crore as at September 30, 2020 and March 31, 2020, respectively, from various indirect tax authorities which are being contested by the Company and its subsidiaries based on the management evaluation and advice of tax consultants.

- **Other claims**

Claims aggregating ₹197 crore and ₹211 crore as at September 30, 2020 and March 31, 2020, respectively, against the Group have not been acknowledged as debts.

In addition to above, in October 2014, Epic Systems Corporation (referred to as Epic) filed a legal claim against the Company in the Court of Western District Madison, Wisconsin alleging unauthorised access to and download of their confidential information and use thereof in the development of the Company's product MedMantra. In April 2016, the Company received an unfavourable jury verdict awarding damages of ₹6,937 crore (US \$940 million) to Epic which was thereafter reduced by the Trial Court to ₹3,100 crore (US \$420 million). Pursuant to reaffirmation of the District Court order in March 2019, the Company filed an appeal in the Appeals Court to fully set aside the Order. Epic also filed a cross appeal challenging the reduction by the District Court judge of ₹738 crore (US \$100 million) award and ₹1,476 crore (US \$200 million) in punitive damages. On August 20, 2020, the Appeals Court vacated the award of ₹2,066 crore (US \$280 million) in punitive damages considering the award to be constitutionally excessive and remanded the case back to District Court with instructions to reassess and reduce the punitive damages award to at most ₹1,033 crore (US \$140 million), affirmed the District Court's decision vacating the jury's award of ₹738 crore (US \$100 million) in compensatory damages for alleged use of "other confidential information" by the Company, and affirmed the District Court's decision upholding the jury's award of ₹1,033 crore (US \$140 million) in compensatory damages for use of the comparative analysis by the Company. The Company has received legal advice to the effect that the Appeals Court has misapprehended the facts of the case while delivering its judgement and that the Company has correct and the strongest possible arguments in its petition filed at the Appeals Court on September 3, 2020, for re-hearing of the awards for both compensatory and punitive damages, which is currently pending. Epic has also filed for re-hearing that portion of the Appeals Court's decision that invalidated award of punitive damages. However, considering all the facts and various legal precedence, on a conservative and prudent basis, the Company has provided ₹1,218 crore (US \$165 million) towards this legal claim in its financial statements for the period ended September 30, 2020. This has been presented as an "exceptional item" in the condensed consolidated interim statement of profit and loss.

Pursuant to US Court procedures, a Letter of Credit has been made available to Epic for ₹3,247 crore (US \$440 million) as financial security in order to stay execution of the judgment pending post-appeal proceedings and conclusion.

- **Letter of comfort**

The Company has given letter of comfort to banks for credit facilities availed by its subsidiaries. As per the terms of letter of comfort, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiary and provide such managerial, technical and financial assistance to ensure continued successful operations of the subsidiary.

The amounts assessed as contingent liability do not include interest that could be claimed by counter parties.

- 19) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The effective date from which the changes are applicable is yet to be notified and the rules for quantifying the financial impact are yet to be framed. Based on an initial assessment by the Company and its Indian subsidiaries, the additional impact on Provident Fund contributions by the Company and its Indian subsidiaries is not expected to be material, whereas, the likely additional impact on Gratuity liability / contributions by the Company and its Indian subsidiaries could be material. The Company and its Indian subsidiaries will complete their evaluation and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

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20) Related party transactions

The Company paid an amount of ₹1,621 crore to Tata Sons Private Limited, the holding company, towards final dividend for the year ended March 31, 2020, as approved by the shareholders in the Annual General Meeting. Additionally, the Company also paid an amount of ₹1,351 crore towards interim dividend as approved by Board of Directors at its meeting.

Other than above, the Group does not have any material related party transactions and outstanding balances as on date.

21) Subsequent events

- (a) The Board of Directors at its meeting held on October 7, 2020, has declared an interim dividend of ₹12 per equity share.
- (b) The Board of Directors at its meeting held on October 7, 2020, has approved a proposal to buy-back upto 5,33,33,333 equity shares of the Company for an aggregate amount not exceeding ₹16,000 crore being 1.42% of the total paid up equity share capital at ₹3,000 per equity share subject to approval from shareholders.

As per our report of even date attached
For **B S R & Co. LLP**

Chartered Accountants
Firm's registration no: 101248W/W-100022

Yezdi Nagporewalla
Partner
Membership No: 049265

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

Keki M Mistry
Director

V Ramakrishnan
CFO

Rajendra Moholkar
Company Secretary

Mumbai, October 7, 2020