TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Balance Sheet

	Note	As at June 30, 2021	As at March 31, 2021
			(₹ crore)
ASSETS			
Non-current assets			
Property, plant and equipment	10(a)	10,871	11,110
Capital work-in-progress	10(a)	1,088	926
Right-of-use assets	9	7,940	7,633
Goodwill	10(b)	1,842	1,798
Other intangible assets	10(c)	459	480
Financial assets			
Investments	8(a)	213	213
Trade receivables	8(b)	61	55
Unbilled receivables		264	273
Loans	8(e)	530	29
Other financial assets	8(f)	1,629	1,573
Income tax assets (net)		1,901	1,845
Deferred tax assets (net)		3,505	3,931
Other assets	10(d)	1,349	1,613
Total non-current assets		**31,652**	**31,479**
Current assets			
Inventories	10(e)	11	8
Financial assets			
Investments	8(a)	29,910	29,160
Trade receivables	8(b)	30,646	30,079
Unbilled receivables		7,007	6,583
Cash and cash equivalents	8(c)	6,707	6,858
Other balances with banks	8(d)	6,451	2,471
Loans	8(e)	10,945	11,472
Other financial assets	8(f)	1,286	1,394
Income tax assets (net)		17	19
Other assets	10(d)	11,426	11,236
Total current assets		**1,04,406**	**99,280**
TOTAL ASSETS		**1,36,058**	**1,30,759**
EQUITY AND LIABILITIES			
Equity			
Share capital	8(k)	370	370
Other equity		89,693	86,063
Equity attributable to shareholders of the Company		**90,063**	**86,433**
Non-controlling interests		668	675
Total equity		**90,731**	**87,108**
Liabilities			
Non-current liabilities			
Financial liabilities			
Lease liabilities		6,774	6,503
Other financial liabilities	8(g)	283	280
Unearned and deferred revenue		1,043	1,197
Employee benefit obligations	13	776	749
Deferred tax liabilities (net)		828	767
Total non-current liabilities		**9,704**	**9,496**
Current liabilities			
Financial liabilities			
Lease liabilities		1,390	1,292
Trade payables		8,010	7,860
Other financial liabilities	8(g)	5,167	6,150
Unearned and deferred revenue		3,322	3,650
Other liabilities	10(f)	5,282	4,068
Provisions	10(g)	1,398	1,394
Employee benefit obligations	13	3,779	3,498
Income tax liabilities (net)		7,275	6,243
Total current liabilities		**35,623**	**34,155**
TOTAL EQUITY AND LIABILITIES		**1,36,058**	**1,30,759**

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's registration no: 101248W/W-100022

Amit Somani
Partner
Membership No: 060154

Bengaluru, July 8, 2021

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N Ganapathy Subramaniam
COO and Executive Director

Samir Seksaria
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 8, 2021

TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Profit and Loss

	Note	Three month period ended June 30, 2021	Three month period ended June 30, 2020
		(₹ crore)	
Revenue from operations	11	45,411	38,322
Other income	12	721	598
TOTAL INCOME		**46,132**	**38,920**
Expenses			
Employee benefit expenses	13	25,649	22,093
Cost of equipment and software licences	14(a)	258	346
Finance costs	15	146	142
Depreciation and amortisation expense		1,075	976
Other expenses	14(b)	6,841	5,859
TOTAL EXPENSES		**33,969**	**29,416**
PROFIT BEFORE TAX		**12,163**	**9,504**
Tax expense			
Current tax		3,138	2,665
Deferred tax		(6)	(210)
TOTAL TAX EXPENSE		**3,132**	**2,455**
PROFIT FOR THE PERIOD		**9,031**	**7,049**
OTHER COMPREHENSIVE INCOME (OCI)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined employee benefit plans		(145)	136
Income tax on items that will not be reclassified subsequently to profit or loss		23	(29)
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		(52)	651
Net change in intrinsic value of derivatives designated as cash flow hedges		(8)	(9)
Net change in time value of derivatives designated as cash flow hedges		(7)	2
Exchange differences on translation of financial statements of foreign operations		347	251
Income tax on items that will be reclassified subsequently to profit or loss		21	(226)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)		**179**	**776**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**9,210**	**7,825**
Profit for the period attributable to:			
Shareholders of the Company		9,008	7,008
Non-controlling interests		23	41
		9,031	**7,049**
Other comprehensive income for the period attributable to:			
Shareholders of the Company		171	773
Non-controlling interests		8	3
		179	**776**
Total comprehensive income for the period attributable to:			
Shareholders of the Company		9,179	7,781
Non-controlling interests		31	44
		9,210	**7,825**
Earnings per equity share:- Basic and diluted (₹)	17	24.35	18.68
Weighted average number of equity shares		369,90,51,373	375,23,84,706

NOTES FORMING PART OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's registration no: 101248W/W-100022

Amit Somani
Partner
Membership No: 060154

Bengaluru, July 8, 2021

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N Ganapathy Subramaniam
COO and Executive Director

Samir Seksaria
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 8, 2021

TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Changes in Equity

A. EQUITY SHARE CAPITAL

(₹ crore)

Balance as at April 1, 2020	Changes in equity share capital due to prior period errors	Restated balance as at April 1, 2020	Changes in equity share capital during the period	Balance as at June 30, 2020
375	-	375	-	375

(₹ crore)

Balance as at April 1, 2021	Changes in equity share capital due to prior period errors	Restated balance as at April 1, 2021	Changes in equity share capital during the period	Balance as at June 30, 2021
370	-	370	-	370

TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Changes in Equity

B. 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 - Intrinsic value	Cash flow hedging reserve - Time value	Foreign currency translation reserve			
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	-	-	-	-	7,008	-	-	-	-	-	7,008	41	7,049
Other comprehensive income / (losses)	-	-	-	-	107	-	424	(7)	1	248	773	3	776
Total comprehensive income	**-**	**-**	**-**	**-**	**7,115**	**-**	**424**	**(7)**	**1**	**248**	**7,781**	**44**	**7,825**
Dividend	-	-	-	-	(2,251)	-	-	-	-	-	(2,251)	(34)	(2,285)
Transfer to Special Economic Zone re-investment reserve	-	-	-	1,206	(1,206)	-	-	-	-	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	(377)	377	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	(9)	9	-	-	-	-	-	-	-
Balance as at June 30, 2020	**75**	**431**	**27**	**2,423**	**82,836**	**384**	**1,220**	**38**	**(67)**	**1,914**	**89,281**	**633**	**89,914**
Balance as at April 1, 2021	**75**	**436**	**27**	**2,538**	**79,586**	**407**	**828**	**56**	**(27)**	**2,137**	**86,063**	**675**	**86,738**
Profit for the period	-	-	-	-	9,008	-	-	-	-	-	9,008	23	9,031
Other comprehensive income / (losses)	-	-	-	-	(122)	-	(34)	(7)	(5)	339	171	8	179
Total comprehensive income	**-**	**-**	**-**	**-**	**8,886**	**-**	**(34)**	**(7)**	**(5)**	**339**	**9,179**	**31**	**9,210**
Dividend	-	-	-	-	(5,549)	-	-	-	-	-	(5,549)	(38)	(5,587)
Transfer to Special Economic Zone re-investment reserve	-	-	-	2,216	(2,216)	-	-	-	-	-	-	-	-
Transfer from Special Economic Zone re-investment reserve	-	-	-	(1,471)	1,471	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	101	(101)	-	-	-	-	-	-	-
Balance as at June 30, 2021	**75**	**436**	**27**	**3,283**	**82,279**	**306**	**794**	**49**	**(32)**	**2,476**	**89,693**	**668**	**90,361**

Loss of ₹122 crore and gain of ₹107 crore on remeasurement of defined employee benefit plans (net of tax) is recognised as a part of retained earnings for three month periods ended June 30, 2021 and 2020, respectively.

Total equity (primarily retained earnings) includes ₹1,322 crore and ₹1,278 crore as at June 30, 2021 and 2020, 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. Retained earnings

This reserve represents undistributed accumulated earnings of the Group as on the balance sheet date.

f. Statutory reserve

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

g. 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.

h. 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.

i. 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 **B S R & Co. LLP**
Chartered Accountants
Firm's registration no: 101248W/W-100022

Amit Somani
Partner
Membership No: 060154

Bengaluru, July 8, 2021

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N Ganapathy Subramaniam
COO and Executive Director

Samir Seksaria
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 8, 2021

TATA CONSULTANCY SERVICES LIMITED
Condensed Consolidated Interim Statement of Cash Flows

	Three month period ended June 30, 2021	Three month period ended June 30, 2020
		(₹ crore)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	9,031	7,049
Adjustments to reconcile profit and loss to net cash provided by operating activities		
Depreciation and amortisation expense	1,075	976
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	41	53
Tax expense	3,132	2,455
Net gain on lease modification	(1)	(1)
Unrealised foreign exchange (gain) / loss	4	(20)
Net gain on disposal of property, plant and equipment	(1)	-
Net gain on disposal / fair valuation of investments	(17)	(47)
Interest income	(628)	(617)
Finance costs	146	142
Operating profit before working capital changes	**12,782**	**9,990**
Net change in		
Inventories	(2)	-
Trade receivables	(159)	801
Unbilled receivables	(268)	793
Loans and other financial assets	(577)	87
Other assets	51	(338)
Trade payables	(213)	(1,153)
Unearned and deferred revenue	(586)	(116)
Other financial liabilities	(1,030)	(2,032)
Other liabilities and provisions	1,392	1,600
Cash generated from operations	**11,390**	**9,632**
Taxes paid (net of refunds)	(1,605)	(1,010)
Net cash generated from operating activities	**9,785**	**8,622**
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank deposits placed	(3,368)	(126)
Inter-corporate deposits placed	(3,902)	(6,470)
Purchase of investments*	(9,667)	(13,634)
Payment for purchase of property, plant and equipment	(492)	(570)
Payment including advances for acquiring right-of-use assets	(1)	-
Payment for purchase of intangible assets	(55)	(56)
Proceeds from bank deposits	3	916
Proceeds from inter-corporate deposits	3,954	3,347
Proceeds from disposal / redemption of investments*	8,871	10,948
Proceeds from disposal of property, plant and equipment	2	4
Interest received	640	768
Net cash used in investing activities	**(4,015)**	**(4,873)**

TATA CONSULTANCY SERVICES LIMITED

Condensed Consolidated Interim Statement of Cash Flows

	Three month period ended June 30, 2021	Three month period ended June 30, 2020
	(₹ crore)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(313)	(350)
Interest paid	(146)	(140)
Dividend paid	(5,549)	(2,251)
Dividend paid to non-controlling interests	(38)	(34)
Net cash used in financing activities	**(6,046)**	**(2,775)**
Net change in cash and cash equivalents	**(276)**	**974**
Cash and cash equivalents at the beginning of the period	6,858	8,646
Exchange difference on translation of foreign currency cash and cash equivalents	125	125
Cash and cash equivalents at the end of the period (Refer note 8(c))	**6,707**	**9,745**

*Purchase of investments include NIL and ₹5 crore for three month periods ended June 30, 2021 and 2020, respectively, and proceeds from disposal / redemption of investments include ₹28 crore and ₹23 crore for three month periods ended June 30, 2021 and 2020, respectively, held by trusts and TCS Foundation held for specified purposes.

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

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COO and Executive Director

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Partner
Membership No: 060154

Samir Seksaria
CFO

Rajendra Moholkar
Company Secretary

Bengaluru, July 8, 2021

Mumbai, July 8, 2021

1) Corporate information

Tata Consultancy Services Limited ("the Company") and its subsidiaries (collectively together with 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 June 30, 2021, Tata Sons Private Limited, the holding company owned 72.16% of the Company's equity share capital.

The Board of Directors approved the condensed consolidated interim financial statements for three months period ended June 30, 2021 and authorised for issue on July 8, 2021.

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, wherever 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, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated. The Group considers all highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value to be cash equivalents.

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 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. 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 management to make estimates and judgements 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

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 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 units (CGUs) 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 rates used for the CGUs represent the weighted average cost of capital based on the historical market returns of comparable companies.

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 period 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 judgement. 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.

i. Impact of COVID-19 (pandemic)

The Group has taken into account all the possible impacts of COVID-19 in preparation of these 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 revenue recognition owing to changes in cost budgets of fixed price contracts, impact on leases and impact on effectiveness of its hedges. The Group has carried out this assessment based on available internal and external sources of information upto the date of approval of these condensed consolidated interim financial statements and believes that the impact of COVID-19 is not material to these 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 owing to the nature and duration of COVID-19.

6) Recent pronouncements

On June 18, 2021, MCA through a notification has notified Companies (Indian Accounting Standards) Amendment Rules, 2021. The notification has made amendments to various Ind AS. Some of the key amendments are:

- **Ind AS 116 – COVID-19-Related Rent Concessions**

  The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated, and therefore the practical expedient relating to rent concessions arising as a consequence of COVID-19 has been modified. Accordingly, lessees are now exempted from assessing whether a COVID-19-related rent concession is a lease modification, if the reduction in lease payments affects only payments originally due on or before June 30, 2022. Earlier the practical expedient was allowed only for lease payments originally due on or before June 30, 2021. A lessee should apply the amendments for annual reporting periods beginning on or after April 1, 2021. The Group does not expect any impact on its financial statements due to this amendment.

- **Interest Rate Benchmark Reform – Phase 2**

  This amendment relates to 'Interest Rate Benchmark Reform — Phase 2 (Amendments to Ind AS 104, Ind AS 107, Ind AS 109 and Ind AS 116)' which addresses issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. Some of the key amendments arising from the interest rate benchmark are:

  Ind AS 109: New guidance has been included on changes in the basis for determining the contractual cashflows as a result of interest rate benchmark reform. An entity should apply the amendments for annual reporting periods beginning on or after April 1, 2021.

  Ind AS 107: Additional disclosures related to nature and extent of risks to which the entity is exposed from financial instruments subject to interest rate benchmark reform and how the entity manages these risks. An entity should apply the amendments when it applies amendments to Ind AS 109, Ind AS 104 or Ind AS 116.

  The Group does not expect the amendments to have any significant impact in its financial statements.

- **Amendments to Ind AS consequential to Conceptual Framework under Ind AS**

  The amendments relating to Ind AS 102, Share-based Payment; Ind AS 103, Business Combinations; Ind AS 106, Exploration for and Evaluation of Mineral Resources; Ind AS 114, Regulatory Deferral Accounts; Ind AS 1, Presentation of Financial Statements; Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Ind AS 34, Interim Financial Reporting; Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets; Ind AS 38, Intangible Assets, are consequential due to changes in the Conceptual Framework under Ind AS, made in August 2020. The revised Conceptual Framework introduced some new concepts and clarifications along with revision in definitions and changes in recognition criteria of assets and liabilities under Ind AS. The Group does not expect the consequential amendments to have any significant impact in its financial statements.

7) 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.

8) 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.

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 statement of 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.

(a) Investments

Investments consist of the following:

Investments – Non-current

		(₹ crore)
	As at June 30, 2021	**As at March 31, 2021**
Investments designated at fair value through OCI		
Fully paid equity shares (unquoted)		
Mozido LLC	74	73
FCM LLC	56	55
Taj Air Limited	19	19
Philippine Dealing System Holdings Corporation	7	7
Less: Impairment in value of investments	(118)	(116)
Investments carried at amortised cost		
Government bonds and securities (quoted)	165	165
Corporate bonds (quoted)	10	10
	213	**213**

Investments – Non-current includes ₹175 crore and ₹175 crore as at June 30, 2021 and March 31, 2021, respectively, pertains to trusts held for specified purposes.

Investments – Current

		(₹ crore)
	As at June 30, 2021	**As at March 31, 2021**
Investments carried at fair value through profit or loss		
Mutual fund units (quoted)	5,831	4,904
Investments carried at fair value through OCI		
Government bonds and securities (quoted)	23,560	23,670
Corporate bonds (quoted)	382	450
Investments carried at amortised cost		
Commercial papers (quoted)	137	136
	29,910	**29,160**

Investments – Current includes ₹140 crore and ₹166 crore as at June 30,2021 and March 31, 2021, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

Government bonds and securities includes bonds pledged with bank for credit facility amounting to ₹1,650 crore and ₹1,650 crore as at June 30, 2021 and March 31, 2021, respectively.

Aggregate value of quoted and unquoted investments is as follows:

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Aggregate value of quoted investments	30,085	29,335
Aggregate value of unquoted investments (net of impairment)	38	38
Aggregate market value of quoted investments	30,106	29,356
Aggregate value of impairment of investments	118	116

Market value of quoted investments carried at amortised cost is as follows:

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Government bonds and securities	186	186
Corporate bonds	10	10
Commercial papers	137	136

(b) Trade receivables

Trade receivables (unsecured) consist of the following:

Trade receivables – Non-current

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Trade receivables	812	787
Less: Allowance for doubtful trade receivables	(751)	(732)
Considered good	**61**	**55**

Trade receivables – Current

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Trade receivables	30,899	30,248
Less: Allowance for doubtful trade receivables	(332)	(244)
Considered good	**30,567**	**30,004**
Trade receivables	330	388
Less: Allowance for doubtful trade receivables	(251)	(313)
Credit impaired	**79**	**75**
	30,646	**30,079**

(c) Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Balances with banks		
In current accounts	3,160	5,266
In deposit accounts	3,546	1,586
Cheques on hand	-*	-*
Cash on hand	1	1
Remittances in transit	-	5
	6,707	**6,858**

*Represents value less than ₹0.50 crore.

Balances with banks in current accounts include ₹19 crore and ₹13 crore as at June 30, 2021 and March 31, 2021, respectively, pertaining to trusts held for specified purposes.

(d) Other balances with banks

Other balances with banks consist of the following:

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Earmarked balances with banks	816	209
Short-term bank deposits	5,635	2,262
	6,451	**2,471**

Earmarked balances with banks primarily relate to margin money for purchase of investments, margin money for derivative contracts, tax deducted at source on dividend paid and unclaimed dividends.

(e) Loans

Loans (unsecured) consist of the following:

Loans – Non-current

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Considered good		
Inter-corporate deposits	528	27
Loans and advances to employees	2	2
	530	**29**

Loans – Current

	As at June 30, 2021	As at March 31, 2021
		(₹ crore)
Considered good		
Inter-corporate deposits	10,675	11,229
Loans and advances to employees	270	243
Credit impaired		
Loans and advances to employees	20	17
Less: Allowance on loans and advances to employees	(20)	(17)
	10,945	**11,472**

Inter-corporate deposits placed with financial institutions yield fixed interest rate. Inter-corporate deposits include ₹981 crore and ₹952 crore as at June 30, 2021 and March 31, 2021, 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 June 30, 2021	**As at March 31, 2021**
Security deposits	878	837
Earmarked balances with banks	3	3
Long-term bank deposits	730	719
Interest receivable	5	-
Others	13	14
	1,629	**1,573**

Other financial assets – Current

		(₹ crore)
	As at June 30, 2021	**As at March 31, 2021**
Security deposits	158	168
Fair value of foreign exchange derivative assets	393	495
Interest receivable	619	615
Others	116	116
	1,286	**1,394**

Interest receivable includes ₹20 crore and ₹40 crore as at June 30, 2021 and March 31, 2021, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

(g) Other financial liabilities

Other financial liabilities consist of the following:

Other financial liabilities – Non-current

		(₹ crore)
	As at June 30, 2021	**As at March 31, 2021**
Others	283	280
	283	**280**

Others include advance taxes paid of ₹226 crore and ₹226 crore as at June 30, 2021 and March 31, 2021, respectively, by the seller of TCS e-Serve Limited (merged with the Company) which, on refund by tax authorities, is payable to the seller.

Other financial liabilities – Current

		(₹ crore)
	As at June 30, 2021	**As at March 31, 2021**
Accrued payroll	3,456	4,482
Unclaimed dividends	54	50
Fair value of foreign exchange derivative liabilities	134	92
Capital creditors	429	399
Liabilities towards customer contracts	934	914
Others	160	213
	5,167	**6,150**

(h) Financial instruments by category

The carrying value of financial instruments by categories as at June 30, 2021 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	-	-	-	-	6,707	6,707
Bank deposits	-	-	-	-	6,365	6,365
Earmarked balances with banks	-	-	-	-	819	819
Investments	5,831	23,980	-	-	312	30,123
Trade receivables	-	-	-	-	30,707	30,707
Unbilled receivables	-	-	-	-	7,271	7,271
Loans	-	-	-	-	11,475	11,475
Other financial assets	-	-	156	237	1,789	2,182
	5,831	**23,980**	**156**	**237**	**65,445**	**95,649**
Financial liabilities						
Trade payables	-	-	-	-	8,010	8,010
Lease liabilities	-	-	-	-	8,164	8,164
Other financial liabilities	-	-	-	134	5,316	5,450
	-	**-**	**-**	**134**	**21,490**	**21,624**

The carrying value of financial instruments by categories as at March 31, 2021 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	-	-	-	-	6,858	6,858
Bank deposits	-	-	-	-	2,981	2,981
Earmarked balances with banks	-	-	-	-	212	212
Investments	4,904	24,158	-	-	311	29,373
Trade receivables	-	-	-	-	30,134	30,134
Unbilled receivables	-	-	-	-	6,856	6,856
Loans	-	-	-	-	11,501	11,501
Other financial assets	-	-	163	332	1,750	2,245
	4,904	**24,158**	**163**	**332**	**60,603**	**90,160**
Financial liabilities						
Trade payables	-	-	-	-	7,860	7,860
Lease liabilities	-	-	-	-	7,795	7,795
Other financial liabilities	-	-	2	90	6,338	6,430
	-	**-**	**2**	**90**	**21,993**	**22,085**

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables, loans and trade payables as at June 30, 2021 and March 31, 2021, 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 periods presented. Fair value measurement of lease liabilities is not required. Fair value of investments carried at amortised cost is ₹333 crore and ₹332 crore as at June 30, 2021 and March 31, 2021, respectively.

(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 consists 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 June 30, 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	5,831	-	-	5,831
Equity shares	-	-	38	38
Government bonds and securities	23,746	-	-	23,746
Corporate bonds	392	-	-	392
Commercial papers	137	-	-	137
Fair value of foreign exchange derivative assets	-	393	-	393
	30,106	**393**	**38**	**30,537**
Financial liabilities				
Fair value of foreign exchange derivative liabilities	-	134	-	134
	-	**134**	**-**	**134**

(₹ crore)

As at March 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual fund units	4,849	-	55	4,904
Equity shares	-	-	38	38
Government bonds and securities	23,856	-	-	23,856
Corporate bonds	460	-	-	460
Commercial papers	136	-	-	136
Fair value of foreign exchange derivative assets	-	495	-	495
	29,301	**495**	**93**	**29,889**
Financial liabilities				
Fair value of foreign exchange derivative liabilities	-	92	-	92
	-	**92**	**-**	**92**

(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:

	As at June 30, 2021			As at March 31, 2021		
Foreign currency	**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	64	1,605	42	63	1,615	51
Great Britain Pound	56	333	38	64	330	14
Euro	54	351	40	60	346	78
Australian Dollar	32	208	33	38	206	16
Canadian Dollar	21	112	3	23	114	2

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

(₹ crore)

	Three month period ended June 30, 2021		Year ended March 31, 2021	
	Intrinsic value	Time value	Intrinsic value	Time value
Balance at the beginning of the period	**56**	**(27)**	**45**	**(68)**
(Gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	(26)	121	(341)	530
Deferred tax on (gain) / loss transferred to profit and loss on occurrence of forecasted hedge transactions	3	(33)	73	(125)
Change in the fair value of effective portion of cash flow hedges	18	(128)	355	(477)
Deferred tax on fair value of effective portion of cash flow hedges	(2)	35	(76)	113
Balance at the end of the period	**49**	**(32)**	**56**	**(27)**

The Group has entered into derivative instruments not in hedging relationship by way of foreign exchange forward, currency options and futures contracts. As at June 30, 2021 and March 31, 2021, the notional amount of outstanding contracts aggregated to ₹37,669 crore and ₹37,615 crore, respectively, and the respective fair value of these contracts have a net gain of ₹103 crore and net gain of ₹242 crore.

Exchange loss of ₹15 crore and ₹14 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 June 30, 2021 and 2020, respectively.

Net foreign exchange gain / loss include loss of ₹95 crore and ₹136 crore transferred from cash flow hedging reserve for three month periods ended June 30, 2021 and 2020, respectively.

(k) Equity instruments

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

(₹ crore)

	As at June 30, 2021	As at March 31, 2021
Authorised		
460,05,00,000 equity shares of ₹1 each (March 31, 2021: 460,05,00,000 equity shares of ₹1 each)	460	460
105,02,50,000 preference shares of ₹1 each (March 31, 2021: 105,02,50,000 preference shares of ₹1 each)	105	105
	565	**565**
Issued, Subscribed and Fully paid up		
369,90,51,373 equity shares of ₹1 each (March 31, 2021: 369,90,51,373 equity shares of ₹1 each)	370	370
	370	**370**

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.

The Company bought back 5,33,33,333 equity shares for an aggregate amount of ₹16,000 crore being 1.42% of the total paid up equity share capital at ₹3,000 per equity share in the previous year. The equity shares bought back were extinguished on January 6, 2021.

9) 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.

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

		(₹ crore)
	Additions for three month period ended June 30, 2021	**Net carrying amount as at June 30, 2021**
Leasehold land	-	680
Buildings	501	6,935
Leasehold improvements	-	27
Computer equipment	3	98
Software licences	145	161
Vehicles	1	30
Office equipment	1	9
	651	**7,940**

		(₹ crore)
	Additions for the year ended March 31, 2021	**Net carrying amount as at March 31, 2021**
Leasehold land	-	682
Buildings	1,226	6,758
Leasehold improvements	6	26
Computer equipment	102	101
Software licences	26	25
Vehicles	30	32
Office equipment	1	9
	1,391	**7,633**

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

		(₹ crore)
	Three month period ended June 30, 2021	**Three month period ended June 30, 2020**
Leasehold land	2	2
Buildings	357	367
Leasehold improvements	1	3
Computer equipment	6	4
Software licences	9	-
Vehicles	4	3
Office equipment	1	1
	380	**380**

Interest on lease liabilities is ₹134 crore and ₹136 crore for three month periods ended on June 30, 2021 and 2020, respectively.

10) 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.

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, 2021	**351**	**7,777**	**2,502**	**737**	**10,734**	**40**	**2,574**	**2,058**	**1,885**	**28,658**
Additions	-	8	16	3	304	-	31	4	8	374
Disposals	-	-	(3)	-	(95)	-	(18)	(20)	(8)	(144)
Translation exchange difference	-	1	17	1	42	-	6	5	7	79
Cost as at June 30, 2021	**351**	**7,786**	**2,532**	**741**	**10,985**	**40**	**2,593**	**2,047**	**1,892**	**28,967**
Accumulated depreciation as at April 1, 2021	-	**(2,947)**	**(1,575)**	**(302)**	**(7,531)**	**(33)**	**(2,199)**	**(1,393)**	**(1,568)**	**(17,548)**
Depreciation	-	(98)	(51)	(18)	(361)	(1)	(45)	(38)	(32)	(644)
Disposals	-	-	3	-	94	-	18	20	8	143
Translation exchange difference	-	(1)	(10)	-	(22)	-	(4)	(3)	(7)	(47)
Accumulated depreciation as at June 30, 2021	**-**	**(3,046)**	**(1,633)**	**(320)**	**(7,820)**	**(34)**	**(2,230)**	**(1,414)**	**(1,599)**	**(18,096)**
Net carrying amount as at June 30, 2021	**351**	**4,740**	**899**	**421**	**3,165**	**6**	**363**	**633**	**293**	**10,871**
Capital work-in-progress*										1,088
Total										**11,959**

*₹374 crore has been capitalised and transferred to property, plant and equipment during three month period ended June 30, 2021.

(₹ 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	5	71	142	53	2,047	3	137	46	61	2,565
Disposals	-	(11)	(72)	(1)	(180)	(5)	(80)	(29)	(63)	(441)
Translation exchange difference	(1)	(2)	5	4	73	-	8	2	1	90
Cost as at March 31, 2021	**351**	**7,777**	**2,502**	**737**	**10,734**	**40**	**2,574**	**2,058**	**1,885**	**28,658**
Accumulated depreciation as at April 1, 2020	-	**(2,563)**	**(1,441)**	**(228)**	**(6,414)**	**(34)**	**(2,068)**	**(1,266)**	**(1,489)**	**(15,503)**
Depreciation	-	(393)	(199)	(72)	(1,246)	(4)	(204)	(152)	(137)	(2,407)
Disposals	-	8	68	1	168	5	79	26	62	417
Translation exchange difference	-	1	(3)	(3)	(39)	-	(6)	(1)	(4)	(55)
Accumulated depreciation as at March 31, 2021	**-**	**(2,947)**	**(1,575)**	**(302)**	**(7,531)**	**(33)**	**(2,199)**	**(1,393)**	**(1,568)**	**(17,548)**
Net carrying amount as at March 31, 2021	**351**	**4,830**	**927**	**435**	**3,203**	**7**	**375**	**665**	**317**	**11,110**
Capital work-in-progress*										926
Total										**12,036**

*₹2,565 crore has been capitalised and transferred to property, plant and equipment during the year ended March 31, 2021.

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

Goodwill consists of the following:

(₹ crore)

	As at June 30, 2021	As at March 31, 2021
Balance at the beginning of the period	**1,798**	**1,710**
Translation exchange difference	44	88
Balance at the end of the period	**1,842**	**1,798**

(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.

Intangible assets consist of the following:

(₹ crore)

	Rights under licensing agreement and software licences	Customer-related intangibles	Total
Cost as at April 1, 2021	**740**	**122**	**862**
Additions	55	-	55
Disposals / Derecognised	(41)	-	(41)
Translation exchange difference	4	2	6
Cost as at June 30, 2021	**758**	**124**	**882**
Accumulated amortisation as at April 1, 2021	**(265)**	**(117)**	**(382)**
Amortisation	(49)	(2)	(51)
Disposals / Derecognised	14	-	14
Translation exchange difference	(1)	(3)	(4)
Accumulated amortisation as at June 30, 2021	**(301)**	**(122)**	**(423)**
Net carrying amount as at June 30, 2021	**457**	**2**	**459**

(₹ crore)

	Rights under licensing agreement and software licences	Customer-related intangibles	Total
Cost as at April 1, 2020	**448**	**120**	**568**
Additions	356	-	356
Disposals / Derecognised	(64)	-	(64)
Translation exchange difference	-	2	2
Cost as at March 31, 2021	**740**	**122**	**862**
Accumulated amortisation as at April 1, 2020	**(180)**	**(105)**	**(285)**
Disposals / Derecognised	(149)	(9)	(158)
Amortisation	64	-	64
Translation exchange difference	-	(3)	(3)
Accumulated amortisation as at March 31, 2021	**(265)**	**(117)**	**(382)**
Net carrying amount as at March 31, 2021	**475**	**5**	**480**

(d) Other assets

Other assets consist of the following:

Other assets – Non-current

(₹ crore)

	As at June 30, 2021	As at March 31, 2021
Considered good		
Contract assets	209	250
Prepaid expenses	443	621
Contract fulfillment costs	205	228
Capital advances	59	66
Advances to related parties	23	33
Others	410	415
	1,349	**1,613**
Advances to related parties, considered good, comprise:		
Voltas Limited	1	2
Tata Realty and Infrastructure Ltd	-*	-*
Tata Projects Limited	22	30
Titan Engineering and Automation Limited	-*	-*

*Represents value less than ₹0.50 crore.

Other assets – Current

	As at June 30, 2021 (₹ crore)	As at March 31, 2021 (₹ crore)
Considered good		
Contract assets	4,399	3,830
Prepaid expenses	4,424	4,651
Prepaid rent	19	28
Contract fulfillment costs	766	796
Advance to suppliers	166	157
Advance to related parties	10	10
Indirect taxes recoverable	1,383	1,491
Others	259	273
Considered doubtful		
Advance to suppliers	2	3
Other advances	3	1
Less: Allowance on doubtful assets	(5)	(4)
	11,426	**11,236**
Advance to related parties, considered good comprise:		
The Titan Company Limited	2	2
Roots Corporation Ltd	-*	-
Tata AIG General Insurance Company Limited	1	1
Tata AIA Life Insurance Company Limited	-*	-
Tata Sons Private Limited	7	7

*Represents value less than ₹0.50 crore.

Non-current – Others includes advance of ₹369 crore and ₹369 crore towards acquiring right-of-use of leasehold land as at June 30, 2021 and March 31, 2021, 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:

	As at June 30, 2021 (₹ crore)	As at March 31, 2021 (₹ crore)
Raw materials, sub-assemblies and components	8	8
Finished goods and work-in-progress	3	-*
Stores and spares	-*	-*
	11	**8**

*Represents value less than ₹0.50 crore.

(f) Other liabilities

Other liabilities consist of the following:

Other liabilities – Current

	(₹ crore) As at June 30, 2021	As at March 31, 2021
Advance received from customers	305	312
Indirect taxes payable and other statutory liabilities	4,772	3,726
Others	205	30
	5,282	**4,068**

(g) Provisions

Provisions consist of the following:

Provisions – Current

	(₹ crore) As at June 30, 2021	As at March 31, 2021
Provision towards legal claim (Refer note 19)	1,228	1,211
Provision for foreseeable loss	131	150
Other provisions	39	33
	1,398	**1,394**

11) 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.

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.

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 June 30, 2021	**Three month period ended June 30, 2020**
Consultancy services	45,084	37,928
Sale of equipment and software licences	327	394
	45,411	**38,322**

Revenue disaggregation by industry vertical and geography has been included in segment information (Refer note 18).

12) 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 June 30, 2021	Three month period ended June 30, 2020
Interest income	628	617
Net gain on diposal / fair valuation of investments carried at fair value through profit or loss	17	47
Net gain on disposal of property, plant and equipment	1	-
Net gain on lease modification / (loss)	1	(1)
Net foreign exchange gain / (loss)	69	(80)
Other income	5	15
	721	**598**
Interest income comprise:		
Interest on bank balances and bank deposits	54	20
Interest on financial assets carried at amortised cost	140	155
Interest on financial assets carried at fair value through OCI	434	441
Other interest (including interest on tax refunds)	-	1

13) 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.

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 June 30, 2021	Three month period ended June 30, 2020
Salaries, incentives and allowances	22,936	19,985
Contributions to provident and other funds	2,065	1,533
Staff welfare expenses	648	575
	25,649	**22,093**

Employee benefit obligations consist of the following:

Employee benefit obligations – Non-current

		(₹ crore)
	As at June 30, 2021	As at March 31, 2021
Gratuity liability	12	12
Foreign defined benefit plans	555	473
Other employee benefit obligations	209	264
	776	**749**

Employee benefit obligations – Current

		(₹ crore)
	As at June 30, 2021	As at March 31, 2021
Compensated absences	3,726	3,448
Other employee benefit obligations	53	50
	3,779	**3,498**

14) 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 expense 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.

(a) Cost of equipment and software licences

Cost of equipment and software licences consist of the following:

	(₹ crore)	
	Three month period ended June 30, 2021	**Three month period ended June 30, 2020**
Raw materials, sub-assemblies and components consumed	7	-
Equipment and software licences purchased	254	345
	261	**345**
Finished goods and work-in-progress		
Opening stock	-*	1
Less: Closing stock	3	-*
	(3)	1
	258	**346**

*Represents value less than ₹0.50 crore.

(b) Other expenses

Other expenses consist of the following:

	(₹ crore)	
	Three month period ended June 30, 2021	**Three month period ended June 30, 2020**
Fees to external consultants	3,900	3,063
Facility expenses	516	537
Travel expenses	346	286
Communication expenses	498	460
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	41	53
Other expenses	1,540	1,460
	6,841	**5,859**

15) Finance costs

Finance costs consist of the following:

	(₹ crore)	
	Three month period ended June 30, 2021	**Three month period ended June 30, 2020**
Interest on lease liabilities	134	136
Interest on tax matters	5	2
Other interest costs	7	4
	146	**142**

16) 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 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.

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 ₹1,420 crore and ₹955 crore as at June 30, 2021 and March 31, 2021, 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 June 30, 2021 and March 31, 2021, 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.

17) 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 June 30, 2021	Three month period ended June 30, 2020
Profit for the period attributable to shareholders of the Company (₹ crore)	9,008	7,008
Weighted average number of equity shares	369,90,51,373	375,23,84,706
Basic and diluted earnings per share (₹)	24.35	18.68
Face value per equity share (₹)	1	1

18) 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, 5) Life Sciences and Healthcare and 6) Others such as Energy, Resources and Utilities, 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 month periods ended June 30,2021 and 2020, is as follows:

Three month period ended June 30, 2021 (₹ crore)

	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Life Sciences and Healthcare	Others	Total
Revenue from operations	**18,151**	**4,399**	**7,171**	**7,412**	**4,899**	**3,379**	**45,411**
Segment result	**4,892**	**1,336**	**2,093**	**2,247**	**1,536**	**559**	**12,663**
Total unallocable expenses							1,221
Operating income							**11,442**
Other income							721
Profit before tax							**12,163**
Tax expense							3,132
Profit for the period							**9,031**

Three month period ended June 30, 2020 (₹ crore)

	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Life Sciences and Healthcare	Others	Total
Revenue from operations	**15,282**	**3,884**	**5,912**	**6,495**	**3,912**	**2,837**	**38,322**
Segment result	**4,115**	**986**	**1,302**	**1,886**	**1,217**	**518**	**10,024**
Total unallocable expenses							1,118
Operating income							**8,906**
Other income							598
Profit before tax							**9,504**
Tax expense							2,455
Profit for the period							**7,049**

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

Information regarding geographical revenue is as follows:

		(₹ crore)
	Three month period ended June 30, 2021	Three month period ended June 30, 2020
Americas		
North America	22,415	19,709
Latin America	749	633
Europe		
United Kingdom	7,383	5,864
Continental Europe	7,583	5,977
Asia Pacific	4,240	3,738
India	2,085	1,666
Middle East and Africa	956	735
	45,411	**38,322**

19) Commitments and contingencies

Capital commitments

The Group has contractually committed (net of advances) ₹1,079 crore and ₹1,071 crore as at June 30, 2021 and March 31, 2021, respectively, for purchase of property, plant and equipment.

Contingencies

- **Direct tax matters**

  Refer note 16.

- **Indirect tax matters**

  The Company and its subsidiaries in India have ongoing disputes with Indian tax authorities mainly relating to treatment of characterisation and classification of certain items. The Company and its subsidiaries have demands amounting to ₹558 crore and ₹556 crore as at June 30, 2021 and March 31, 2021, 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 ₹231 crore and ₹194 crore as at June 30, 2021 and March 31, 2021, 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 ₹6,995 crore (US $940 million) to Epic which was thereafter reduced by the Trial Court to ₹3,126 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 ₹744 crore (US $100 million) award and ₹1,488 crore (US $200 million) in punitive damages. On August 20, 2020, the Appeals Court vacated the award of ₹2,084 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 ₹1,042 crore (US $140 million), affirmed the District Court's decision vacating the jury's award of ₹744 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 ₹1,042 crore (US $140 million) in compensatory damages for use of the comparative analysis by the Company. The Company filed a petition for re-hearing of compensatory and punitive damages at the Appeals Court on September 3, 2020. Epic also filed for re-hearing that portion of the Appeals Court's decision that invalidated award of punitive damages.

  In November 2020, the petitions for re-hearing filed by the Company and Epic, respectively, were denied by the Appeals Court. The proceedings for assessing punitive damages have been remanded back to the District Court. Both the Company and Epic have filed their briefs at the District Court in relation to punitive damages. The matter is under consideration by the District Court. On April 8, 2021, Epic has approached the Supreme Court seeking review of the order of the Appeals Court vacating the award of ₹2,084 crore (US $280 million) towards punitive damages and remanding back to District Court with an instruction to reassess the punitive damages, to no more than ₹1,042 crore (US $140 million). The Company will continue to pursue all legal options available in the matter. Considering all the facts and various legal precedence, on a conservative and prudent basis, the Company provided ₹1,218 crore (US $165 million) towards this legal claim in its statement of profit and loss for three month period ended on September 30, 2020. This was 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 ₹3,274 crore (US $440 million) as financial security in order to stay execution of the judgement 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.

20) 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 Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on November 13, 2020, and has invited suggestions from stake holders which are under active consideration by the Ministry. The Company and its Indian subsidiaries will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

21) Related party transactions

The Company paid an amount of ₹4,004 crore to Tata Sons Private Limited, the holding company, towards final dividend for the year ended March 31, 2021, as approved by the shareholders in the Annual General Meeting.

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

22) Dividend

The Board of Directors at its meeting held on July 8, 2021 has declared an interim dividend of ₹7.00 per equity share.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's registration no: 101248W/W-100022

Amit Somani
Partner
Membership No: 060154

Bengaluru, July 8, 2021

For and on behalf of the Board

Rajesh Gopinathan
CEO and Managing Director

N Ganapathy Subramaniam
COO and Executive Director

Samir Seksaria
CFO

Rajendra Moholkar
Company Secretary

Mumbai, July 8, 2021