



**Audited Condensed Consolidated Financial Statements
for the quarter and nine months ended 31 December 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mphasis Limited

Report on the Interim Condensed Consolidated Ind AS Financial Statements

We have audited the accompanying interim condensed consolidated Ind AS financial statements of Mphasis Limited ("the Holding Company") and its subsidiaries (collectively "the Group"), which comprise the interim condensed consolidated Balance Sheet as at 31 December 2017, the interim condensed consolidated Statement of Profit and Loss (including other comprehensive income) for the quarter and nine months then ended, the interim condensed consolidated statement of cash flows and the interim condensed consolidated Statement of changes in equity for the nine months then ended on that date and a summary of select explanatory notes.

Management's Responsibility for the Interim Condensed Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible with respect to the preparation of these interim condensed consolidated Ind AS financial statements in accordance with the requirements of Indian Accounting Standard (Ind AS) 34, "Interim Financial Reporting" as specified under Section 133 of the Companies Act, 2013 ('Act') read with the relevant rules issued thereunder and other accounting principles generally accepted in India. The respective Board of Directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the interim condensed Ind AS consolidated financial statements are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Interim Condensed Consolidated Ind AS Financial Statements

Our responsibility is to express an opinion on these interim condensed consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the interim condensed consolidated Ind AS financial statements that are not materially misstated in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the interim condensed consolidated Ind AS financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the interim condensed consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the accompanying interim condensed consolidated Ind AS financial statements have been prepared, in all material respects, in accordance with the requirements of Ind AS 34 specified under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Adarsh Ranka
Partner
Membership Number: 209567

Place of Signature: Bengaluru
Date: 24 January 2018

Mphasis Group
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET	(₹ millions)	
	31 December 2017	31 March 2017
ASSETS		
Non-current assets		
Property, Plant and Equipment	926.97	1,040.84
Capital work-in-progress	0.26	7.24
Goodwill	16,753.65	16,977.88
Other intangible assets	997.81	1,192.65
Intangible assets under development	6.01	3.53
Financial assets		
Investments	1,255.17	1,255.17
Trade receivables	10.60	31.32
Loans and advances	1,142.26	1,110.59
Other financial assets	1.94	110.79
Deferred tax assets (Net)	612.10	618.17
Income tax assets (Net)	4,183.76	4,352.88
Other non-current assets	1,585.05	1,977.80
Sub total	27,475.58	28,678.86
Current assets		
Financial assets		
Investments	16,761.11	22,701.28
Trade receivables	7,857.25	6,278.71
Cash and cash equivalents	3,730.79	6,132.66
Bank balances other than cash and cash equivalents	1,404.33	11.46
Loans and advances	785.76	707.00
Other financial assets	6,416.06	5,965.91
Other current assets	2,540.95	2,695.01
Sub total	39,496.25	44,492.03
TOTAL ASSETS	66,971.83	73,170.89

Mphasis Group
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET	(₹ millions)	
	31 December 2017	31 March 2017
EQUITY AND LIABILITIES		
Equity		
Equity share capital	1,931.95	2,104.24
Other equity		
Securities premium	56.68	1,654.10
General reserve	20.28	6,596.04
Retained earnings	45,037.16	45,835.25
Other reserves	5,327.46	5,334.43
Total equity	52,373.53	61,524.06
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Other financial liabilities	11.00	11.03
Net employee defined benefit liabilities	463.56	543.53
Deferred tax liabilities (Net)	31.68	158.30
Other non-current liabilities	46.36	48.02
Sub total	552.60	760.88
Current liabilities		
Financial liabilities		
Borrowings	3,845.10	2,601.60
Trade payables	4,960.34	3,878.22
Other financial liabilities	2,459.65	1,600.76
Net employee defined benefit liabilities	670.53	783.98
Provisions	124.59	373.20
Other current liabilities	1,184.34	997.39
Income tax liabilities (Net)	801.15	650.80
Sub total	14,045.70	10,885.95
TOTAL EQUITY AND LIABILITIES	66,971.83	73,170.89

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated financial statements.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors

per Adarsh Ranka
Partner
Membership No. 209567

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
24 January 2018

Bengaluru
24 January 2018

Mphasis Group
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ millions)

	Quarter ended 31 December 2017	Quarter ended 31 December 2016	Nine months ended 31 December 2017	Nine months ended 31 December 2016
Income				
Revenue from operations	16,606.91	15,361.03	48,013.48	45,704.26
Other income	353.62	616.85	1,198.32	1,901.17
Total income (I)	16,960.53	15,977.88	49,211.80	47,605.43
Expenses				
Purchase of stock-in-trade	-	-	-	0.24
Changes in inventories of stock-in-trade	-	-	-	40.99
Employee benefits expense	9,634.42	9,308.12	28,056.74	27,681.41
Finance costs	28.81	22.52	86.81	121.47
Depreciation and amortization expense	175.55	197.58	537.14	606.92
Other expenses	4,231.01	3,657.05	12,427.71	10,678.08
Total expenses (II)	14,069.79	13,185.27	41,108.40	39,129.11
Profit before tax and exceptional item (III) [(I)-(II)]	2,890.74	2,792.61	8,103.40	8,476.32
Exceptional item (net of tax) (IV)				
Accelerated cost due to change in control (refer note 6)	-	-	-	58.52
Profit before tax and after exceptional item (III)-(IV)	2,890.74	2,792.61	8,103.40	8,417.80
Tax expenses				
Current tax	750.37	766.19	2,156.92	2,267.69
Deferred tax	(9.07)	22.89	(51.79)	75.13
Total tax expenses	741.30	789.08	2,105.13	2,342.82
Profit for the period before exceptional item	2,149.44	2,003.53	5,998.27	6,133.50
Profit for the period after exceptional item (A)	2,149.44	2,003.53	5,998.27	6,074.98
Other comprehensive income ('OCI')				
OCI to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	(447.30)	308.40	(149.04)	168.44
Net change in fair value of derivatives designated as cash flow hedges	608.98	(86.68)	(182.06)	159.50
Income tax effect on cash flow hedges	(210.75)	30.00	63.01	(55.20)
Net OCI to be reclassified to profit or loss in subsequent periods (B)	(49.07)	251.72	(268.09)	272.74
OCI not to be reclassified to profit or loss in subsequent periods				
Re-measurement gains / (losses) on defined benefit plans	6.66	(1.16)	(23.75)	(0.55)
Income tax effect on the above	(2.30)	0.40	8.23	0.19
Net OCI not to be reclassified to profit or loss in subsequent periods (C)	4.36	(0.76)	(15.52)	(0.36)
Total OCI for the period, net of tax (D) [B+C]	(44.71)	250.96	(283.61)	272.38
Total comprehensive income for the period (A+D)	2,104.73	2,254.49	5,714.66	6,347.36

Mphasis Group
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ millions)

	Quarter ended 31 December 2017	Quarter ended 31 December 2016	Nine months ended 31 December 2017	Nine months ended 31 December 2016
Profit for the period attributable to:				
Equity owners of the Company	2,149.44	2,003.53	5,998.27	6,074.98
Non-controlling interests	-	-	-	-
	2,149.44	2,003.53	5,998.27	6,074.98
Total comprehensive income for the period attributable to:				
Equity owners of the Company	2,104.73	2,254.49	5,714.66	6,347.36
Non-controlling interests	-	-	-	-
	2,104.73	2,254.49	5,714.66	6,347.36
Earnings per equity share before exceptional item (par value ₹ 10 per share)				
Basic (₹)	11.13	9.54	30.39	29.21
Diluted (₹)	11.08	9.51	30.33	29.14
Earnings per equity share after exceptional item (par value ₹ 10 per share)				
Basic (₹)	11.13	9.54	30.39	28.94
Diluted (₹)	11.08	9.51	30.33	28.86
Weighted average number of shares – Basic	193,175,440	210,090,627	197,349,087	209,947,842
Weighted average number of shares – Diluted	193,963,693	210,632,746	197,764,377	210,509,397

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated financial statements.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors

per Adarsh Ranka
Partner
Membership No. 209567

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
24 January 2018

Bengaluru
24 January 2018

Mphasis Group
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

a. Equity share capital

Equity shares of ₹ 10 each issued, subscribed and fully paid	No. in millions	₹ millions
As at 1 April 2017	210.42	2,104.24
Issue of share capital	0.14	1.41
Equity shares extinguished on buy back (refer note 5)	(17.37)	(173.70)
As at 31 December 2017	193.19	1,931.95
As at 1 April 2016	210.19	2,101.94
Issue of share capital	0.20	1.97
As at 31 December 2016	210.39	2,103.91

b. Other equity

(₹ millions)

	Attributable to the equity holders of the Company									Total
	Reserves and surplus							Items of OCI		
	Securities Premium	General reserve	Retained earnings	Capital reserve	Capital redemption reserve	Share based payments	Treasury shares	Hedging reserve	Foreign currency translation reserve	
As at 1 April 2017	1,654.10	6,596.04	45,835.25	361.39	4.75	190.47	(0.45)	761.67	4,016.60	59,419.82
Profit for the period	-	-	5,998.27	-	-	-	-	-	-	5,998.27
Other Comprehensive Income	-	-	(15.52)	-	-	-	-	(119.05)	(149.04)	(283.61)
Equity dividend and Dividend Distribution Tax	-	-	(3,951.45)	-	-	-	-	-	-	(3,951.45)
Buy back of equity shares (refer note 5)	(1,654.10)	(6,576.85)	(2,799.05)	-	173.70	-	-	-	-	(10,856.30)
Buy back expenses	-	-	(30.34)	-	-	-	-	-	-	(30.34)
General Reserve	-	1.09	-	-	-	-	-	-	-	1.09
Effect of share based payments	56.68	-	-	-	-	86.97	0.45	-	-	144.10
As at 31 December 2017	56.68	20.28	45,037.16	361.39	178.45	277.44	-	642.62	3,867.56	50,441.58
As at 1 April 2016	1,572.36	5,965.38	43,625.45	361.39	4.75	170.43	(158.29)	248.64	4,658.25	56,448.36
Profit for the period	-	-	6,074.98	-	-	-	-	-	-	6,074.98
Other Comprehensive Income	-	-	(0.36)	-	-	-	-	104.30	168.44	272.38
Equity dividend and Dividend Distribution Tax	-	-	(5,058.70)	-	-	-	-	-	-	(5,058.70)
Effect of share based payments	70.23	2.91	-	-	-	68.51	59.49	-	-	201.14
As at 31 December 2016	1,642.59	5,968.29	44,641.37	361.39	4.75	238.94	(98.80)	352.94	4,826.69	57,938.16

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed consolidated financial statements.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

For and on behalf of the Board of Directors

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per Adarsh Ranka

Partner

Membership No. 209567

Nitin Rakesh

Chief Executive Officer

Narayanan Kumar

Director

V. Suryanarayanan

Executive Vice President &
Chief Financial Officer

Subramanian Narayan

Vice President & Company Secretary

Bengaluru

24 January 2018

Bengaluru

24 January 2018

Mphasis Group
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	(₹ millions)	
	Nine months ended 31 December 2017	Nine months ended 31 December 2016
Operating activities		
Profit before exceptional item and tax	8,103.40	8,476.32
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation of Property, Plant and Equipment	319.19	308.77
Amortization of intangible assets	218.00	298.26
Amortisation of rent equalisation	404.21	368.38
Profit on sale of Property, Plant and Equipment	(3.57)	(16.83)
Net gain on investments	(883.27)	(877.10)
Amortized cost of deposits	(4.33)	(0.21)
Share-based payment expense	144.99	91.36
Provision for bad and doubtful debts	(33.16)	(7.62)
Interest expenses (excluding exchange difference considered as adjustment to borrowing cost)	71.07	118.81
Interest income (excluding fair value changes)	(136.28)	(323.63)
Dividend income	(22.45)	(362.27)
Receipts on exercise of options	-	32.00
Effect of exchange rate changes (gain) / loss	37.40	(35.54)
Operating profit before working capital changes	8,215.20	8,070.70
Working capital changes		
(Increase)/decrease in trade receivables	(1,527.21)	984.18
(Increase)/decrease in loans and advances	(47.20)	103.45
(Increase)/decrease in other financial assets	(564.15)	931.64
(Increase)/decrease in inventories	-	40.99
(Increase)/decrease in other assets	39.69	570.99
Increase/(decrease) in trade payables	1,099.15	(299.05)
Increase/(decrease) in other financial liabilities	833.82	(289.74)
Increase/(decrease) in provisions and Net employee defined benefit liabilities	(465.97)	(35.27)
Increase/(decrease) in other liabilities	185.15	(221.25)
Total working capital changes	(446.72)	1,785.94
Income tax paid (net of refunds)	(1,843.72)	(1,945.54)
Net cash flow from operating activities before exceptional item	5,924.76	7,911.10
Accelerated cost due to change in control	-	(13.95)
Net cash flow from operating activities after exceptional item (A)	5,924.76	7,897.15
Investing activities		
Purchase of Property, Plant and Equipment	(253.96)	(848.12)
Proceeds from sale of Property, Plant and Equipment	10.90	16.71
Purchase of investments	(48,798.00)	(176,519.16)
Sale of investments	55,643.89	174,186.36
Interest received	83.68	230.02
Dividends received	22.45	362.27
Re-investment of dividend	(22.45)	(290.44)
Investments in bank deposits	(1,284.02)	(131.38)
Redemption / maturity of bank deposits	-	2,655.21
Net cash flow from / (used in) investing activities (B)	5,402.49	(338.53)

Mphasis Group
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	(₹ millions)	
	Nine months ended 31 December 2017	Nine months ended 31 December 2016
Financing activities		
Proceeds from issue of share capital	1.41	1.97
Proceeds of premium from issue of share capital	0.24	0.17
Payment towards buy back of shares	(11,030.00)	-
Buy back expenses paid	(30.34)	-
Repayment of secured loan	-	(3,284.99)
Availment of secured loans	-	2,646.20
Availment / (payment) of capital lease obligation	-	0.08
Repayment of unsecured loans	(2,132.67)	(1,363.10)
Availment of unsecured loans	3,413.04	881.66
Interest paid	(51.85)	(73.24)
Dividends paid (including tax on dividend)	(3,949.12)	(5,056.43)
Net cash flow used in financing activities (C)	(13,779.29)	(6,247.68)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(2,452.04)	1,310.94
Effect of exchange rate changes	50.17	(150.29)
Cash and cash equivalents at the beginning of the period	6,132.66	3,926.03
Cash and cash equivalents at the end of the period	3,730.79	5,086.68
Components of cash and cash equivalents		
On current accounts	2,472.39	2,192.67
Deposits with original maturity of less than 3 months	1,244.46	2,883.99
Unclaimed dividend	13.84	9.98
Cash on hand	0.10	0.04
Total cash and cash equivalents	3,730.79	5,086.68

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors

per Adarsh Ranka
Partner
Membership No. 209567

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
24 January 2018

Bengaluru
24 January 2018

Mphasis Group
Condensed Consolidated Financial Statements

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The interim condensed consolidated financial statements comprise financial statements of Mphasis Limited and its subsidiaries. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The shares of the Company are listed on two recognised stock exchanges in India. The registered office of the Company is located in Bengaluru, India.

Mphasis Group, a global, multicultural organisation headquartered in Bengaluru, India, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business & knowledge process outsourcing solutions to clients around the world.

The condensed consolidated financial statements for the quarter and nine months ended 31 December 2017 are approved by the Board of Directors on 24 January 2018.

List of subsidiaries with percentage holding

Subsidiaries	Country of incorporation	Parent	% of holding	
			31 December 2017	31 March 2017
Mphasis Corporation	USA	Mphasis Limited	100	100
Mphasis Deutschland GmbH	Germany	Mphasis Limited	91	91
Mphasis Australia Pty Limited	Australia	Mphasis Limited	100	100
Mphasis (Shanghai) Software & Services Company Limited ('Mphasis Shanghai')	China	Mphasis Limited	100	100
Mphasis Consulting Limited	United Kingdom	Mphasis Limited	100	100
Mphasis Ireland Limited	Ireland	Mphasis Limited	100	100
Mphasis Belgium BVBA	Belgium	Mphasis Limited	100	100
Mphasis Lanka (Private) Limited [refer note 1 (a)]	Sri Lanka	Mphasis Limited	100	100
Mphasis Poland s.p.z.o.o.	Poland	Mphasis Limited	100	100
PT. Mphasis Indonesia	Indonesia	Mphasis Limited	100	100
Mphasis Europe BV	The Netherlands	Mphasis Corporation	100	100
Mphasis Infrastructure Services Inc.	USA	Mphasis Corporation	100	100
Mphasis Pte Limited	Singapore	Mphasis Europe BV	100	100
Mphasis UK Limited	United Kingdom	Mphasis Europe BV	100	100
Mphasis Software and Services (India) Private Limited	India	Mphasis Europe BV	100	100
Msource Mauritius Inc.	Mauritius	Mphasis Europe BV	100	100
Mphasis Wyde Inc.	USA	Mphasis UK Limited	100	100
Mphasis Philippines Inc.	Philippines	Mphasis Pte Limited	100	100
Msource (India) Private Limited	India	Msource Mauritius Inc.	100	100
Wyde Corporation Inc. *	USA	Mphasis Wyde Inc.	100	100
Mphasis Wyde SASU *	France	Wyde Corporation Inc.	100	100
Wyde Solutions Canada Inc. *	Canada	Wyde Corporation Inc.	100	100
Digital Risk, LLC. **	USA	Mphasis Wyde Inc.	100	100
Digital Risk Mortgage Services, LLC. **	USA	Digital Risk, LLC.	100	100
Digital Risk Compliance Services, LLC. ** [refer note 1 (c)]	USA	Digital Risk, LLC.	100	100
Digital Risk Analytics, LLC. ** [refer note 1 (c)]	USA	Digital Risk, LLC.	100	100
Investor Services, LLC. **	USA	Digital Risk, LLC.	100	100
Digital Risk Valuation Services, LLC. **	USA	Digital Risk, LLC.	100	100
Digital Risk Europe, OOD. [refer note 1 (b)] **	Bulgaria	Digital Risk, LLC.	100	100

* Forms part of Wyde group.

** Forms part of Digital Risk group.

All the above subsidiaries are under the same management.

The principal activities of the above subsidiaries include providing Information Technology and Information Technology Enabled Services, except for Digital Risk group and Wyde group which provides Mortgage services and Development of software solution for insurance respectively.

Mphasis Limited is the sponsoring entity of Employee Stock Option Plan ('ESOP') trusts. Management of the Company can appoint and remove the trustees and provide funding to the trust for buying the shares. Basis assessment by the management, it believes that the ESOP trusts are designed to be controlled by the Company and therefore it needs to be consolidated under Ind AS 110.

List of Trusts that are consolidated

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

- a) On 22 July 2013 the Board of Directors of Mphasis Lanka (Private) Limited, a wholly owned subsidiary of Mphasis Limited, resolved to close its operations.
- b) On 31 March 2017, the management of Digital Risk LLC resolved to close the operations of Digital Risk Europe, OOD.
- c) Digital Risk Compliance Services, LLC. and Digital Risk Analytics, LLC. have been merged with its sole shareholder and parent company, Digital Risk, LLC, effective 13 July 2017 vide approval dated 10 October 2017 from the Secretary of State, Division of Corporation, State of Delaware.

Mphasis Group
Condensed Consolidated Financial Statements

2 Basis of preparation

The accompanying interim condensed consolidated financial statements of Mphasis Limited ('the Company') and its subsidiaries, collectively referred to as 'the Mphasis Group' or 'the Group', have been prepared in accordance with the Indian Accounting Standards ("Ind AS") 34, Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) amendment Rules, 2016. The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values 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.

The Group has followed the same accounting policies in preparation of the interim condensed consolidated financial statements as those followed in preparation of the annual consolidated financial statements as at and for the year ended 31 March 2017. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated Ind AS financial statements and the related notes for the year ended 31 March 2017.

3 Financial instruments

The carrying value of financial instruments by categories as of 31 December 2017 is as follows:

(₹ millions)

Particulars	Fair value through profit or loss	Derivative instruments in Hedging relationship	Derivative instruments not in Hedging relationship	Amortized Cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	3,730.79	3,730.79
Bank balances other than cash and cash equivalents	-	-	-	1,404.33	1,404.33
Investments	16,761.11	-	-	1,255.17	18,016.28
Trade receivables	-	-	-	7,867.85	7,867.85
Loans and advances	-	-	-	1,928.02	1,928.02
Forward cover	-	-	61.97	-	61.97
Cash flow hedges	-	998.40	-	-	998.40
Other financial assets	-	-	-	5,357.63	5,357.63
Total	16,761.11	998.40	61.97	21,543.79	39,365.27
Financial liabilities					
Borrowings	-	-	-	3,845.10	3,845.10
Trade payables	-	-	-	4,960.34	4,960.34
Forward cover	-	-	31.48	-	31.48
Cash flow hedges	-	15.69	-	-	15.69
Other financial liabilities	-	-	-	2,423.48	2,423.48
Total	-	15.69	31.48	11,228.92	11,276.09

The carrying value of financial instruments by categories as of 31 March 2017 is as follows:

Particulars	Fair value through profit or loss	Derivative instruments in Hedging relationship	Derivative instruments not in Hedging relationship	Amortized Cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	6,132.66	6,132.66
Bank balances other than cash and cash equivalents	-	-	-	11.46	11.46
Investments	22,701.28	-	-	1,255.17	23,956.45
Trade receivables	-	-	-	6,310.03	6,310.03
Loans and advances	-	-	-	1,817.59	1,817.59
Forward cover	-	-	180.22	-	180.22
Cash flow hedges	-	1,165.10	-	-	1,165.10
Other financial assets	-	-	-	4,731.38	4,731.38
Total	22,701.28	1,165.10	180.22	20,258.29	44,304.89
Financial liabilities					
Borrowings	-	-	-	2,601.60	2,601.60
Trade payables	-	-	-	3,878.22	3,878.22
Forward cover	-	-	1.37	-	1.37
Cash flow hedges	-	0.33	-	-	0.33
Other financial liabilities	-	-	-	1,610.09	1,610.09
Total	-	0.33	1.37	8,089.91	8,091.61

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Fair value hierarchy:

(₹ millions)

Particulars	As at 31 December 2017				As at 31 March 2017			
	Fair value measurements at reporting date using				Fair value measurements at reporting date using			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Investments	16,761.11	16,761.11	-	-	22,701.28	22,701.28	-	-
Derivative instruments								
Cash flow hedges *	998.40	-	998.40	-	1,165.10	-	1,165.10	-
Forward cover	61.97	-	61.97	-	180.22	-	180.22	-
Liabilities								
Derivative instruments								
Cash flow hedges *	15.69	-	15.69	-	0.33	-	0.33	-
Forward cover	31.48	-	31.48	-	1.37	-	1.37	-

* Cash flow hedges are routed through FVTOCI and the rest are routed through FVTPL.

- The management had re-assessed the future profitability of long term revenue contract as at 31 March 2016 and accordingly provided for ₹ 483.66 millions. The losses incurred subsequently under this contract has been adjusted against the said provision and the balance as at 31 December 2017 is ₹ 28.02 millions (31 March 2017: ₹ 204.06 millions).
- During the quarter ended 30 June 2017, the Company has completed the buyback of 17,370,078 fully paid-up equity shares of face value of ₹ 10 each ("equity shares") on 2 June 2017, representing 8.26% of the total paid-up equity share capital of the Company, at a price of ₹ 635 per equity share for an aggregate amount of up to ₹ 11,030.00 millions. The shares accepted by the Company under the buyback has been extinguished on 7 June 2017 and the paid-up equity share capital of the Company has been reduced to that extent. Subsequent to completion of buyback, the Company has transferred ₹ 173.70 millions to Capital Redemption Reserve representing face value of equity shares bought back.
- During the quarter ended 30 September 2016, the transfer of control from Hewlett Packard Enterprise Company to Blackstone group has resulted in accelerated vesting of unvested employee stock options and employee bonus. Accordingly the Group has provided for deferred employee compensation cost on an accelerated basis over the remaining vesting period amounting to ₹ 58.52 millions (net of tax of ₹ 33.03 millions) and had accounted the same as exceptional item.
- The Board of Directors, in its meeting held on 25 May 2017 had proposed the final dividend of ₹ 17 per share for the year ended 31 March 2017. The dividend proposed by the Board of Directors is approved by the shareholders' in the Annual General meeting held on 26 July 2017. During the quarter ended 30 September 2017 the Company has accounted the same in accordance with Ind AS-10.

8 Contingent liabilities

The Group has received assessment orders for the financial years ended 31 March 2003, 31 March 2005, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014, wherein certain adjustments in respect of transfer pricing under Section 92CA of the Income Tax Act, 1961 have been made to the taxable income and demand orders for ₹ 3,704.13 millions (31 March 2017: ₹ 2,518.35 millions) have been raised on the Group. The above demands are disputed by the management and the Group has filed appeals against the aforesaid orders with appellate authorities. The management is of the view that the prices determined by it are at arm's length and is confident that the demands raised by the assessing officer are not tenable under law. Pending outcome of the aforesaid matters under litigation, no provision has been made in the books of account for the above mentioned tax demands.

Other claims against the Group (majorly Income tax and indirect tax) not acknowledged as debts amounting to ₹ 7,200.30 millions (31 March 2017: ₹ 7,118.14) net of bank guarantees aggregating to ₹ 6,661.95 millions (31 March 2017: ₹ 6,661.95 millions). The management, basis internal evaluation and legal opinion is of the view that these demands are not tenable.

Other outstanding bank guarantees as at 31 December 2017: ₹ 673.55 millions (31 March 2017: ₹ 774.60 millions) including those furnished on account of jointly controlled operations ₹ 99.35 millions (31 March 2017: ₹ 99.35 millions) and customs authorities aggregating to ₹ 53.66 millions (31 March 2017: ₹ 53.66 millions).

The Group has received claims from certain customers / vendors. Management is of the view that these claims are not tenable and is taking appropriate action in this regard. It is not practical for the Group to estimate the amounts.

The Group has issued performance guarantees to certain clients for executed contracts. It is not practical for the Group to estimate the amounts.

9 Segment reporting

Operating segments are defined as components of the Group 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.

The Group has identified business segments (industry practice) as reportable segments. The business segments comprise: Banking and Capital Market, Insurance, Information Technology, Communication and Entertainment and Emerging Industries.

The accounting policies consistently used in the preparation of financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group, therefore believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

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Business segments	(₹ millions)			
	Quarter ended 31 December 2017	Quarter ended 31 December 2016	Nine months ended 31 December 2017	Nine months ended 31 December 2016
Segment revenue				
Banking and Capital Market	7,731.86	7,419.74	22,636.52	22,334.38
Insurance	2,079.30	2,274.55	6,112.12	6,739.80
Information Technology, Communication and Entertainment	2,333.44	1,473.92	6,394.78	4,456.62
Emerging Industries	4,072.08	3,986.27	11,599.39	11,711.00
Unallocated - Hedge	390.23	206.55	1,270.67	462.46
Total segment revenue	16,606.91	15,361.03	48,013.48	45,704.26
Segment result *				
Banking and Capital Market	1,775.95	1,650.66	5,273.83	5,252.46
Insurance	540.70	595.59	1,435.63	1,568.69
Information Technology, Communication and Entertainment	485.89	467.46	1,218.30	1,400.34
Emerging Industries	1,242.76	1,234.86	3,543.75	3,729.52
Unallocated - Hedge	390.23	206.55	1,270.67	462.46
Total segment result	4,435.53	4,155.12	12,742.18	12,413.47
Interest income	64.50	96.06	197.37	382.40
Finance costs	(28.81)	(22.52)	(86.81)	(121.47)
Other income	289.12	520.79	1,000.95	1,518.77
Other unallocable expenditure	(1,869.60)	(1,956.84)	(5,750.29)	(5,775.37)
Profit before taxation	2,890.74	2,792.61	8,103.40	8,417.80
Income taxes	741.30	789.08	2,105.13	2,342.82
Profit after taxation	2,149.44	2,003.53	5,998.27	6,074.98

* includes exceptional item.

	31 December 2017	31 March 2017
Segment assets		
Banking and Capital Market	9,250.26	9,169.58
Insurance	2,338.18	2,325.59
Information Technology, Communication and Entertainment	2,339.45	1,825.21
Emerging Industries	5,064.34	4,512.76
Total segment assets	18,992.23	17,833.14
Unallocated assets	47,979.60	55,337.75
Total assets	66,971.83	73,170.89
Segment liabilities		
Banking and Capital Market	4,199.41	3,800.98
Insurance	1,648.08	1,459.26
Information Technology, Communication and Entertainment	1,431.19	759.28
Emerging Industries	2,238.61	1,890.90
Total segment liabilities	9,517.29	7,910.42
Unallocated liabilities	5,081.01	3,736.41
Total liabilities	14,598.30	11,646.83
Capital employed		
Banking and Capital Market	5,050.85	5,368.60
Insurance	690.10	866.33
Information Technology, Communication and Entertainment	908.26	1,065.93
Emerging Industries	2,825.73	2,621.86
Unallocated	42,898.59	51,601.34
Total capital employed	52,373.53	61,524.06

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- 10 The Group had previously prepared its condensed consolidated financial statements for period through 31 December 2016, in accordance with the recognition and measurement principles of IND AS, based on its preliminary assessment and selection of exemptions and accounting policies. During the year ended 31 March 2017, the Group has opted to apply the optional exemption provided in Ind AS 101, with regard to business combinations wherein the Group has considered 1 August 2011 as the effective date, rather than the date of transition opted till 31 December 2016, for applying business combinations retrospectively and has restated all business combinations as per IND AS 103 post effective date. This has resulted in the Group recognising certain items of intangibles (License, Customer relationship, Technology and Non-Compete agreement) and related amortisation earlier subsumed within goodwill in previous GAAP. Accordingly, the Group has recognised amortisation charges (before related deferred tax adjustment) towards the same amounting to ₹ 66.69 millions and ₹ 198.60 millions during the quarter and nine months ended 31 December 2016. Accordingly, the condensed consolidated financial statements for the quarter and nine months ended 31 December 2016 has now been restated effecting the above change in exemption option as per IND AS 103.
- 11 Previous period's figures have been reclassified to confirm with the current period's classification, wherever applicable.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors

per Adarsh Ranka
Partner
Membership No. 209567

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
*Executive Vice President &
Chief Financial Officer*

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
24 January 2018

Bengaluru
24 January 2018