Audited Consolidated financial statements for the year ended 31 March 2018

INDEPENDENT AUDITOR'S REPORT
To the Members of Mphasis Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Mphasis Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), comprising of the consolidated Balance Sheet as at 31 March 2018, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 consolidated 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 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 aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group as at 31 March 2018, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company and subsidiary companies incorporated in India as on 31 March 2018 taken on record by the Board of Directors of the Holding Company and of its subsidiaries respectively, none of the directors of the Group's companies incorporated in India is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies, incorporated in India, refer to our separate report in "Annexure 1" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group – Refer Note 36 and 50 to the consolidated Ind AS financial statements;

ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 21 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, incorporated in India during the year ended 31 March 2018;

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

per Adarsh Ranka
Partner
Membership Number: 209567

Place: Bengaluru
Date: 10 May 2018

Annexure 1 to the Independent Auditor's Report of even date on the consolidated Ind AS financial statements of Mphasis Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Mphasis Limited

In conjunction with our audit of the consolidated financial statements of Mphasis Limited as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of Mphasis Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding Company and its subsidiary companies which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

per Adarsh Ranka
Partner
Membership Number: 209567

Place: Bengaluru
Date: 10 May 2018

CONSOLIDATED BALANCE SHEET **(₹ millions)**

	Notes	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, Plant and Equipment	3	874.66	1,040.84
Capital work-in-progress		19.15	7.24
Goodwill	4	17,014.72	16,977.88
Other intangible assets	5	950.88	1,192.65
Intangible assets under development	6	3.40	3.53
Financial assets			
Investments	7	3,169.22	1,255.17
Trade receivables	8	10.60	31.32
Loans	9	1,139.84	1,110.59
Other financial assets	10	77.02	110.79
Deferred tax assets (Net)	25	1,056.82	618.17
Income tax assets (Net)	25	4,570.34	4,352.88
Other non-current assets	11	1,506.51	1,977.80
Sub total		**30,393.16**	**28,678.86**
Current assets			
Financial assets			
Investments	12	14,651.46	22,701.28
Trade receivables	8	8,116.34	6,278.71
Cash and cash equivalents	13.a	4,641.76	6,132.66
Bank balances other than cash and cash equivalents	13.b	2,425.47	11.46
Loans	9	824.09	707.00
Other financial assets	10	6,000.67	5,978.11
Other current assets	11	2,800.42	2,682.81
Sub total		**39,460.21**	**44,492.03**
TOTAL ASSETS		**69,853.37**	**73,170.89**

CONSOLIDATED BALANCE SHEET			**(₹ millions)**
	Notes	**31 March 2018**	**31 March 2017**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	14	1,932.67	2,104.24
Other equity			
Securities premium	15	95.18	1,654.10
General reserve	16	761.26	6,596.04
Retained earnings	17	46,667.96	45,835.25
Other reserves	18	5,360.75	5,334.43
Total equity		**54,817.82**	**61,524.06**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	19	38.15	11.03
Net employee defined benefit liabilities	20	523.37	543.53
Provisions	21	50.00	-
Deferred tax liabilities (Net)	25	49.71	158.30
Other non-current liabilities	22	43.62	48.02
Income tax liabilities (Net)	25	311.00	-
Sub total		**1,015.85**	**760.88**
Current liabilities			
Financial liabilities			
Borrowings	23	3,898.80	2,601.60
Trade payables	24	5,023.92	3,878.22
Other financial liabilities	19	1,802.87	1,600.76
Net employee defined benefit liabilities	20	730.63	783.98
Provisions	21	245.80	373.20
Other current liabilities	22	1,445.73	997.39
Income tax liabilities (Net)	25	871.95	650.80
Sub total		**14,019.70**	**10,885.95**
TOTAL EQUITY AND LIABILITIES		**69,853.37**	**73,170.89**
Summary of significant accounting policies.	2		

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date.

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

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
10 May 2018

For and on behalf of the Board of Directors

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
10 May 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS **(₹ millions)**

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Income			
Revenue from operations	26	65,458.36	60,763.57
Other income	27	1,620.96	2,386.06
Total income (I)		**67,079.32**	**63,149.63**
Expenses			
Purchase of stock-in-trade	28	-	0.24
Changes in inventories of stock-in-trade	28.1	-	40.99
Employee benefits expense	29	38,179.27	37,095.61
Finance costs	30	129.96	138.75
Depreciation and amortization expense	31	708.21	791.49
Other expenses	32	16,655.36	13,938.77
Total expenses (II)		**55,672.80**	**52,005.85**
Profit before exceptional item and tax (III) [(I)-(II)]		**11,406.52**	**11,143.78**
Exceptional item (net of tax) (IV)	33	130.78	151.68
Profit before tax (III)-(IV)		**11,275.74**	**10,992.10**
Tax expenses	25		
Current tax		3,159.48	2,861.11
Deferred tax		(258.73)	215.23
Total tax expenses		**2,900.75**	**3,076.34**
Profit for the year before exceptional item		**8,505.77**	**8,067.44**
Profit for the year after exceptional item (A)		**8,374.99**	**7,915.76**
Other comprehensive income ('OCI')			
OCI to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		249.18	(641.65)
Net change in fair value of derivatives designated as cash flow hedges		(800.62)	784.54
Income tax effect on cash flow hedges		275.85	(271.51)
Net OCI to be reclassified to profit or loss in subsequent periods (B)		**(275.59)**	**(128.62)**
OCI not to be reclassified to profit or loss in subsequent periods			
Re-measurement gains / (losses) on defined benefit plans		(33.90)	(34.02)
Income tax effect on the above		12.35	11.77
Net OCI not to be reclassified to profit or loss in subsequent periods (C)		**(21.55)**	**(22.25)**
Total OCI for the year, net of tax (D) [B+C]		**(297.14)**	**(150.87)**
Total comprehensive income for the year (A+D)		**8,077.85**	**7,764.89**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS **(₹ millions)**

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Profit for the year attributable to:			
Equity owners of the Company		8,374.99	7,915.76
Non-controlling interests		-	-
		8,374.99	**7,915.76**
Total comprehensive income for the year attributable to:			
Equity owners of the Company		8,077.85	7,764.89
Non-controlling interests		-	-
		8,077.85	**7,764.89**
Earnings per equity share before exceptional item (par value ₹ 10 per share)	34		
Basic (₹)		43.32	38.41
Diluted (₹)		43.26	38.35
Earnings per equity share after exceptional item (par value ₹ 10 per share)	34		
Basic (₹)		42.66	37.69
Diluted (₹)		42.59	37.63

Summary of significant accounting policies. 2

The accompanying notes are an integral part of the 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
10 May 2018

Bengaluru
10 May 2018

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	0.21	2.13
Equity shares extinguished on buy back [refer note 14 (d) (ii)]	(17.37)	(173.70)
As at 31 March 2018	**193.26**	**1,932.67**
As at 1 April 2016	210.19	2,101.94
Issue of share capital	0.23	2.30
As at 31 March 2017	**210.42**	**2,104.24**

b. Other equity **(₹ millions)**

	Attributable to the equity holders of the Company									
	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**	**Total**
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 year	-	-	8,374.99	-	-	-	-	-	-	**8,374.99**
Other Comprehensive Income	-	-	(21.55)	-	-	-	-	(524.77)	249.18	**(297.14)**
Equity dividend and Dividend Distribution Tax	-	-	(3,951.45)	-	-	-	-	-	-	**(3,951.45)**
Buy back of equity shares [refer note 14 (d) (ii)]	(1,654.10)	(6,576.85)	(2,799.05)	-	173.70	-	-	-	-	**(10,856.30)**
Buy back expenses	-	-	(30.34)	-	-	-	-	-	-	**(30.34)**
Transfer to General Reserve	-	739.89	(739.89)	-	-	-	-	-	-	-
Effect of share based payments	95.18	2.18	-	-	-	127.76	0.45	-	-	**225.57**
As at 31 March 2018	**95.18**	**761.26**	**46,667.96**	**361.39**	**178.45**	**318.23**	-	**236.90**	**4,265.78**	**52,885.15**
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 year	-	-	7,915.76	-	-	-	-	-	-	**7,915.76**
Other Comprehensive Income	-	-	(22.25)	-	-	-	-	513.03	(641.65)	**(150.87)**
Equity dividend and Dividend Distribution Tax	-	-	(5,058.70)	-	-	-	-	-	-	**(5,058.70)**
Transfer to General Reserve	-	625.01	(625.01)	-	-	-	-	-	-	-
Effect of share based payments	81.74	5.65	-	-	-	20.04	157.84	-	-	**265.27**
As at 31 March 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**

Summary of significant accounting policies. (Note 2)

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
10 May 2018

Bengaluru
10 May 2018

CONSOLIDATED STATEMENT OF CASH FLOWS **(₹ millions)**

	Year ended 31 March 2018	Year ended 31 March 2017
Operating activities		
Profit before exceptional item and tax	**11,406.52**	**11,143.78**
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation of Property, Plant and Equipment	421.73	413.19
Amortization of intangible assets	286.52	379.03
Amortisation of rent equalisation	558.50	499.40
Profit on sale of Property, Plant and Equipment	(4.53)	(29.29)
Net gain on investments carried at fair value through profit and loss (refer note 27)	(1,208.06)	(1,155.37)
Amortized cost of deposits	(6.35)	(0.94)
Share-based payment expense	199.02	137.65
Provision for bad and doubtful debts	(33.16)	1.66
Interest expenses (excluding exchange difference considered as adjustment to borrowing cost)	100.98	131.00
Interest income (excluding fair value changes)	(196.71)	(438.04)
Dividend income	(22.45)	(388.70)
Receipts on exercise of options	-	49.77
Effect of exchange rate changes (gain) / loss	113.32	(140.03)
Operating profit before working capital changes	**11,615.33**	**10,603.11**
Working capital changes		
(Increase)/decrease in trade receivables	(1,666.44)	165.77
(Increase)/decrease in loans	(57.78)	91.40
(Increase)/decrease in other financial assets	(729.27)	1,130.37
(Increase)/decrease in inventories	-	40.99
(Increase)/decrease in other assets	(248.46)	(256.48)
Increase/(decrease) in trade payables	1,114.75	(601.09)
Increase/(decrease) in other financial liabilities	68.96	(1,051.22)
Increase/(decrease) in provisions and Net employee defined benefit liabilities	(398.39)	(347.79)
Increase/(decrease) in other liabilities	414.16	(217.42)
Total working capital changes	**(1,502.47)**	**(1,045.47)**
Income tax paid (net of refunds)	(2,783.30)	(2,902.64)
Net cash flow from operating activities before exceptional item	**7,329.56**	**6,655.00**
Accelerated cost due to change in control	-	(13.95)
Net cash flow from operating activities after exceptional item (A)	**7,329.56**	**6,641.05**
Investing activities		
Purchase of Property, Plant and Equipment	(327.05)	(1,181.00)
Proceeds from sale of Property, Plant and Equipment	13.77	31.31
Purchase of investments	(74,342.54)	(188,089.73)
Sale of investments	81,708.82	186,828.44
Interest received	177.30	384.61
Dividends received	22.45	388.70
Re-investment of dividend	(22.45)	(316.86)
Investments in bank deposits	(2,305.62)	(131.41)
Redemption / maturity of bank deposits	0.46	4,765.06
Net cash flow from investing activities (B)	**4,925.14**	**2,679.12**

CONSOLIDATED STATEMENT OF CASH FLOWS **(₹ millions)**

	Year ended 31 March 2018	Year ended 31 March 2017
Financing activities		
Proceeds from issue of share capital	2.13	2.30
Proceeds of premium from issue of share capital	26.59	0.24
Payment towards buy back of shares	(11,030.00)	-
Buy back expenses paid	(30.34)	-
Repayment of secured loan	(2,128.54)	(3,284.99)
Availment of secured loans	2,126.99	2,646.20
Availment / (payment) of capital lease obligation	-	(2.89)
Repayment of unsecured loans	(2,567.49)	(2,216.47)
Availment of unsecured loans	3,850.16	881.66
Interest paid	(97.63)	(71.32)
Dividends paid (including tax on dividend)	(3,949.29)	(5,054.90)
Net cash flow used in financing activities (C)	**(13,797.42)**	**(7,100.17)**
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(1,542.72)**	**2,220.00**
Effect of exchange rate changes	51.82	(13.37)
Cash and cash equivalents at the beginning of the year	6,132.66	3,926.03
Cash and cash equivalents at the end of the year [refer note 13 (a)]	**4,641.76**	**6,132.66**

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
10 May 2018

Bengaluru
10 May 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements comprise financial statements of Mphasis Limited and its subsidiaries, collectively referred to as 'the Mphasis Group' or 'the Group' for the year ended 31 March 2018. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The shares of the Company are listed on two recognised stock exchanges in India. The registered office of the Company is in Bengaluru, India.

Mphasis 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 consolidated financial statements for the year ended 31 March 2018 are approved by the Board of Directors on 10 May 2018.

List of subsidiaries with percentage holding **% of holding**

Subsidiaries	**Country of incorporation**	**Parent**	**31 March 2018**	**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
Digital Risk Analytics, LLC. **[refer note 1 (c)]	USA	Digital Risk, LLC.	-	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.

Abbreviations

- Indian Accounting Standards - **('Ind AS')**
- Employee Stock Option Plan - **('ESOP')**
- 'Restricted Stock Units – **('RSU')**
- Other Comprehensive Income - **('OCI')**
- Fair Value through Profit and Loss - **('FVTPL')**
- Fair Value Through Other Comprehensive Income - **('FVTOCI')**
- Dividend Distribution Tax **('DDT')**
- Capital Redemption Reserve ('**CRR'**)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value.

- Derivative financial instruments
- Certain financial assets measured at fair value (refer accounting policy regarding financial instruments).

In addition, the carrying values of assets and liabilities designated as hedged items are recognized at fair value.

The consolidated financial statements are presented in INR ('₹') and all the values are rounded off to the nearest million (INR 000,000) except when otherwise indicated.

Basis of consolidation

The Group consolidates entities which it owns or controls. The consolidated financial statements comprise the financial statements of the Company, its controlled trusts and its subsidiaries as disclosed in Note 1. Control exists when the parent has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Entities are consolidated from the date control commences until the date control ceases. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The consolidated financial statements of the parent Company and subsidiaries have been combined on a line-by-line basis and intra group balances and transactions including unrealised gain / loss from such transactions are eliminated upon consolidation. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent Company and its share in the post-acquisition increase in the relevant reserves of subsidiaries. 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 owners of the Company.

Consolidated financial statements are prepared using uniform accounting policies across the Group. The financial statements of all entities used for consolidation are drawn up to same reporting date.

Business Combinations and goodwill

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

Purchase consideration paid in excess of the fair value of net assets acquired is recognized 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 recognized as capital reserve.

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

Goodwill is initially measured at cost and subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Use of estimates, assumptions and judgements

The preparation of the consolidated financial statements in conformity with Ind AS requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses for the year reported. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and future periods are affected.

Key source of estimation of uncertainty as at the date of consolidated financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of the following:

- **Revenue recognition**

  The Group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of completion method requires the Group to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become probable based on the expected contract estimates at the reporting date.

- **Business combinations and intangible assets**
  Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by external valuation experts and in certain cases by management internally (refer note 4).

- **Impairment of non-financial assets**
  Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the forecast for future years. These do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 4.

- **Share-based payments**
  Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 18.

- **Taxes**

  The Group's two major tax jurisdictions are India and the U.S., though the Group also files tax returns in other foreign jurisdictions. Significant judgments are involved in determining the provision for income taxes and tax credits, including the amount expected to be paid or refunded. Refer note 25.

  Deferred tax assets are recognized for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

- **Defined benefit plans**

  The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date (refer note 42).

  The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

  The mortality rate is based on publicly available mortality tables. These mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

- **Fair Value measurement of financial instruments**

  When the fair values 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 internal valuation techniques. 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.

- **Intangible assets under development**

  The Group capitalizes intangible asset under development in accordance with the accounting policy. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed. This is done when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation, discount rates to be applied and the expected tenure of benefits.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment.

Sales tax / Value Added Tax (VAT) / Service Tax / Goods and Service Tax ('GST') is not received by the Group on its own account. Rather, it is tax collected on value added to the commodity / service rendered by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The Group derives its revenues primarily from software services & projects, call centre and business & knowledge process outsourcing operations, infrastructure outsourcing services, licensing arrangement, application services and trading of goods.

Revenues from software services & projects comprise income from time-and-material and fixed price contracts. Revenue from time and material contracts is recognized when the services are rendered in accordance with the terms of contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from call centre and business & knowledge process outsourcing operations arise from both time-based and unit-priced client contracts. Such revenue is recognized when the services are rendered in accordance with the terms of the contracts with clients.

Revenues from infrastructure outsourcing services arise from time based, unit-priced and fixed price contracts. Revenue from time based and unit-priced is recognized when the services are rendered in accordance with the terms of the contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

License fee revenues are recognised when the general revenue recognition criteria is met. Revenue from bundled contracts is allocated separately for each element based on their fair values. Maintenance revenue is recognized rateably over the period of underlying maintenance agreements.

Revenue from sale of services is shown as net of applicable discounts and pricing incentives to customer.

Revenues from sale of goods is recognized on transfer of significant risks and rewards where it is probable that economic benefits will flow to the Company and there is neither continuing managerial involvement nor effective control over the goods sold.

Revenue is recognised only when evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered, the cost incurred and cost to complete the transaction can be measured reliably and collectability of the resulting receivables is probable.

Provisions for estimated losses on incomplete contracts are recorded in the year in which such losses become probable based on the current contract estimates.

Unbilled revenue represents revenues in excess of amounts billed to clients as at the balance sheet date. Unearned revenue represents billings in excess of revenues recognized.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest income is recognized as it accrues in the statement of profit and loss using effective interest rate method.

Dividend income is recognized when the right to receive the dividend is established.

Property, Plant and Equipment and Intangible assets

Property, plant and equipment are stated at the cost of acquisition or construction less accumulated depreciation and write down for, impairment if any. Direct costs are capitalised until the assets are ready to be put to use. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred. Property, plant and equipment purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase.

The Group identifies and determines cost of each component/ part of Property, plant and equipment separately, if the component/ part has a cost which is significant to the total cost of the Property, plant and equipment and has useful life that is materially different from that of the remaining asset.

Intangible assets purchased or acquired in business combination, are measured at cost or fair value as of the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any. The amortization period and the amortization method are reviewed at least at each financial year end. Internally developed intangible assets are stated at cost that can be measured reliably during the development phase and capitalised when it is probable that future economic benefits that are attributable to the assets will flow to the Group.

Gains or losses arising from derecognition of Property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of Property, plant and equipment and are recognized in the statement of profit and loss when the Property, plant and equipment is derecognized.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

Depreciation and amortization

Depreciation on Property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management. Intangible assets are amortised on a straight-line basis over the estimated useful economic life. The useful lives estimated by the management are given below:

(In years)

Asset	Useful life as per Companies Act, 2013	Useful life estimated by the management
Computer equipment	3	3
Furniture and fixtures	10	5
Lease hold improvements	Not applicable	10 or remaining primary lease term, whichever is less
Office equipment	5	5
Plant and equipment	15	7
Server and networks	6	6
Customer relationship / License / Technology	As per Ind AS 38	2 to 4
Purchased / Internally developed software for self-consumption	As per Ind AS 38	3 to 7
Internally developed software for sale	As per Ind AS 38	3 to 7
Vehicles	8	5

In respect of plant and equipment, furniture and fixtures and vehicles, the management, basis internal assessment of usage pattern believes that the useful lives as mentioned above best represent the period over which management expects to use these assets. Hence the useful lives in respect of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Project specific assets are depreciated over the period of contract or useful life of the asset, whichever is lower.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment and intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

Group as a lessee

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases. Operating lease payments are recognised in the statement of profit and loss on a straight-line basis over the lease term, unless the lease agreement explicitly states that increase is because inflation.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the leased asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

For arrangements entered into prior to 1 April 2015, the Group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

Impairment

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 (‘Financial instruments’) 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. 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. The Group provides for impairment upon the occurrence of the triggering event. As per the policy, the Group provides for impairment of trade receivables outstanding more than 180 days from the date they are due for payment.

Non-financial assets

Tangible and intangible assets

Property, plant and equipment and 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.

Goodwill

The Group estimates the value in use of CGU’s based on the future cash flows after considering current economic conditions and trends, estimated future operating results and growth rate and estimated future economic and regulatory conditions. The estimated cash flows are developed using internal forecasts. The discount rates used for the CGU’s represents the weighted average cost of capital based on the historical market return of comparable companies.

CGU’s to which goodwill has been allocated are tested for impairment annually as at 31 March or more frequently when there is indication for impairment. 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 based on the carrying amount of each asset in the unit.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contract that gives rise to financial assets and liabilities. 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.

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. Trade receivables which are subject to factoring arrangements are derecognized in accordance with Ind AS 109.

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 and selling financial assets 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 profit or loss

Financial assets are measured at fair value through profit or loss unless it is 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 at fair value through profit or loss are immediately recognised in statement of profit and loss.

Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit or loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derivative financial instruments

The Group holds derivative financial instruments such as foreign exchange forward contract to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through statement of profit or loss.

This category has derivative financial assets or liabilities which are not designated as hedges.

Any derivative that is either not designated as a hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through statement of profit and loss.

Derivatives not designated as hedges are recognized initially at fair value. Attributable transaction costs are recognized in the statement of profit and loss as and when incurred. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

Cash flow hedge accounting

The Group designates certain foreign exchange forward contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognized in cash flow hedging reserve till the period the hedge was effective remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the net profit in the statement of profit and loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedging reserve is reclassified to the statement of profit and loss.

De-recognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

Fair value of financial instruments

In determining the fair value of its financial instruments, the Group uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

Fair value hierarchy:

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Retirement and other employee benefits

Gratuity, which is a defined benefit plan, is accrued based on an independent actuarial valuation, which is done based on project unit credit method as at the balance sheet date. The Group recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability / (asset) are recognized in other comprehensive income. In accordance with Ind AS, re-measurement gains and losses on defined benefit plans recognised in OCI are not to be subsequently reclassified to statement of profit and loss. As required under Ind AS compliant Schedule III, the Group transfers it immediately to retained earnings.

The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

Contributions payable to recognized provident funds, which are defined contribution schemes, are charged to the statement of profit and loss.

Mphasis Limited has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Provident Fund Trust guarantees a specified rate of return on such contributions on a periodical basis. This being a defined benefit plan, the Company accounts for it, based on actuarial valuation, as per Projected Unit Credit Method, as at the date of Balance Sheet.

Share based payments

The Group measures compensation cost relating to share-based payments using the fair valuation method in accordance with Ind AS 102, Share-Based Payment. Compensation expense is amortized over the vesting period of the option on a straight-line basis. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (Black-Scholes valuation model). That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Foreign currencies

The Group's consolidated financial statements are presented in INR, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the Company and its Indian subsidiaries is Indian Rupee whereas the functional currency of foreign subsidiaries is the currency of their countries of domicile. Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are restated into the functional currency using exchange rates prevailing on the balance sheet date.

Gains and losses arising on settlement and restatement of foreign currency denominated monetary assets and liabilities are included in the statement of profit and loss.

Assets and liabilities of entities with functional currency other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the balance sheet date. Statement of profit and loss have been translated using weighted average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

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 tax 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 tax

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for that period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is recognised using the balance sheet approach. Deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, 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 recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 utilized.

Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets include Minimum Alternative Tax ('MAT') paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized 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 realized.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation (legal or constructive) as result of past event and it is probable that an outflow embodying economic benefits of resources will be required to settle a reliably assessable obligation. Provisions are determined based on best estimate required to settle each obligation at each balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting obligations under a contract exceed the economic benefits expected to be received, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the consolidated financial statements.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been arrived at, assuming that the proceeds receivable was based on shares having been issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that would, if issued, either reduce future earnings per share or increase loss per share, are included.

Inventories

Inventory comprises of traded goods and is measured at lower of cost and net realisable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Treasury shares

The Company has formed an Employee Benefit Trust ('EBT') for providing share-based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the employee remuneration schemes. The EBT buys shares of the company from the market, for giving shares to employees. The Company treats EBT as its extension and shares held by EBT are treated as treasury shares.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in reserve. Share options exercised during the reporting period are adjusted against treasury shares.

Cash dividend to equity holders of the Parent

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final equity dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

Government Grants

The Group recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to assets are treated as deferred income and are recognized in net profit in the statement of profit and loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in net profit in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate.

Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Current vs non-current classification

The Group presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is treated as current when:

- It is expected to be realised or intended to be sold or consumed in normal operating cycle.
- It is held primarily for purpose of trading.
- It is expected to be realised within twelve months after the reporting period.
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- It is expected to settle in the normal operating cycle.
- It is due to be settled within twelve months after the reporting date.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current.

Advance tax paid is classified as non-current assets.

3. PROPERTY, PLANT AND EQUIPMENT **(₹ millions)**

	Plant and equipment	Computer equipment	Servers and networks	Office equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total
Cost								
At 1 April 2016	**171.25**	**325.42**	**480.05**	**97.23**	**165.83**	**72.17**	**108.92**	**1,420.87**
Additions	25.45	346.23	152.61	44.93	27.48	29.41	34.32	**660.43**
Disposals	(7.04)	(123.29)	(4.72)	(0.92)	(2.49)	(16.93)	-	**(155.39)**
Exchange differences on foreign subsidiaries	(3.83)	(1.34)	(8.45)	(8.79)	(13.19)	0.02	0.13	**(35.45)**
At 31 March 2017	**185.83**	**547.02**	**619.49**	**132.45**	**177.63**	**84.67**	**143.37**	**1,890.46**
Additions	16.99	137.71	72.51	13.27	10.93	(0.06)	7.85	**259.20**
Disposals	(31.99)	(4.25)	(56.16)	(0.22)	(3.11)	(15.51)	(1.36)	**(112.60)**
Exchange differences on foreign subsidiaries	2.09	3.87	4.68	0.58	0.59	-	0.66	**12.47**
At 31 March 2018	**172.92**	**684.35**	**640.52**	**146.08**	**186.04**	**69.10**	**150.52**	**2,049.53**
Depreciation								
At 1 April 2016	**88.92**	**120.11**	**130.71**	**28.25**	**56.04**	**18.73**	**86.36**	**529.12**
Charge for the year *	27.89	143.67	115.43	32.16	52.27	19.63	22.14	**413.19**
Disposals	(6.59)	(46.02)	(1.16)	(0.94)	(2.49)	(9.26)	-	**(66.46)**
Exchange differences on foreign subsidiaries	(3.55)	0.49	(4.10)	(7.61)	(11.80)	0.02	0.32	**(26.23)**
At 31 March 2017	**106.67**	**218.25**	**240.88**	**51.86**	**94.02**	**29.12**	**108.82**	**849.62**
Charge for the year *	29.83	180.05	111.82	26.95	35.39	17.35	20.34	**421.73**
Disposals	(31.91)	(4.19)	(52.14)	(0.21)	(3.03)	(11.97)	(1.36)	**(104.81)**
Exchange differences on foreign subsidiaries	1.95	2.28	3.14	0.37	0.34	-	0.25	**8.33**
At 31 March 2018	**106.54**	**396.39**	**303.70**	**78.97**	**126.72**	**34.50**	**128.05**	**1,174.87**
Net block								
At 31 March 2017	**79.16**	**328.77**	**378.61**	**80.59**	**83.61**	**55.55**	**34.55**	**1,040.84**
At 31 March 2018	**66.38**	**287.96**	**336.82**	**67.11**	**59.32**	**34.60**	**22.47**	**874.66**

* Depreciation amounting to ₹ 0.04 millions (31 March 2017: ₹ 0.73 millions) has been adjusted against provision created for loss on long term contract, sale / exit of domestic BPO business.

	31 March 2018	31 March 2017
4. GOODWILL		
Balance brought forward	16,977.88	17,477.13
Impairment of goodwill	-	(111.69)
Reversal on lapse of stock options granted	(0.04)	-
Movement on account of exchange rate fluctuation	36.88	(387.56)
	17,014.72	**16,977.88**

Below is the CGU wise break-up of goodwill.

	31 March 2018	31 March 2017
Digital Risk Group	7,904.65	7,911.95
Wyde Group	3,642.72	3,646.09
Eldorado	1,148.21	1,149.27
Infrastructure Services	1,819.97	1,821.65
Others	2,499.17	2,448.92
Total	**17,014.72**	**16,977.88**

Goodwill impairment testing

The Group tests whether goodwill has suffered any impairment on an annual basis as at 31 March. The recoverable amount of a Cash Generating Unit ('CGU') is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management. An average of the range of each assumption used is mentioned below.

	31 March 2018	31 March 2017
Growth rate	2% to 25%	3% to 25%
Operating margins	13% to 31%	13% to 29%
Discount rate	13% to 15%	13% to 15%

The above discount rate is based on the Weighted Average Cost of Capital (WACC) which represents the weighted average return attributable to all the assets of the CGU. These estimates are likely to differ from future actual results of operations and cash flows.

Based on the above assessment, there is no impairment of goodwill as on 31 March 2018. During the previous year ended 31 March 2017, the Group had recognised impairment of goodwill on account of Mphasis Shanghai (forming part of others CGU) of ₹ 83.77 million (net of tax of ₹ 27.92 millions) and disclosed as an exceptional item (refer note 33).

	31 March 2018	31 March 2017
		(₹ millions)
5. OTHER INTANGIBLE ASSETS *		
Cost		
Opening balance	2,214.84	1,227.98
Additions	48.36	1,009.00
Disposals	(8.04)	(1.01)
Exchange differences on foreign subsidiaries	(0.69)	(21.13)
Closing balance	**2,254.47**	**2,214.84**
Amortization		
Opening balance	1,022.19	664.68
Amortization	286.52	379.03
Disposals	(6.59)	(0.02)
Exchange differences on foreign subsidiaries	1.47	(21.50)
Closing balance	**1,303.59**	**1,022.19**
Net block	**950.88**	**1,192.65**

* includes Software, Customer relationship, License, Technology and Non – compete agreement.

	31 March 2018	31 March 2017
6. INTANGIBLE ASSETS UNDER DEVELOPMENT		
Cost		
Opening balance	3.53	555.86
Additions	21.49	330.19
Capitalization	(21.62)	(870.89)
Exchange differences on foreign subsidiaries	-	(11.63)
Closing balance	**3.40**	**3.53**

As at 31 March 2018 Intangible assets under development has a balance of ₹ 3.40 millions (31 March 2017: ₹ 3.53 millions) which is towards software being developed for internal use.

	31 March 2018			31 March 2017		
	Units	**NAV (₹)**	**₹ millions**	**Units**	**NAV (₹)**	**₹ millions**
7. NON-CURRENT INVESTMENTS						
Investments carried at amortized cost						
Unquoted bonds						
7.11% Power Finance Corporation Ltd.	25,670	1,000	25.67	25,670	1,000	25.67
7.21% Power Finance Corporation Ltd.	100	1,000,000	100.00	100	1,000,000	100.00
7.19% India Infrastructure Finance Company Limited	929,500	1,000	929.50	929,500	1,000	929.50
7.21% India Infrastructure Finance Company Limited	100	1,000,000	100.00	100	1,000,000	100.00
8.10% Housing and Urban Development Corporation	50,000	1,000	50.00	50,000	1,000	50.00
7.34% Housing and Urban Development Corporation	50,000	1,000	50.00	50,000	1,000	50.00
Investments carried at FVTPL						
Quoted mutual funds						
Aditya Birla Sun Life FTP – Series PC Direct growth	40,000,000	10.1175	404.70	-	-	-
Aditya Birla Sun Life FTP – Series PH Direct growth	20,000,000	10.0534	201.07	-	-	-
ICICI Prudential Fixed Maturity Plan	25,000,000	10.0198	250.50	-	-	-
Kotak FMP Series 219	20,000,000	10.0491	200.98	-	-	-
Reliance Fixed Horizon Fund	15,000,000	10.0384	150.58	-	-	-
IDFC Yearly Interval Plan	13,251,753	15.1960	201.37	-	-	-
Reliance Yearly Interval Fund -Series 1 Direct growth	33,352,900	15.1367	504.85	-	-	-
			3,169.22			**1,255.17**
Aggregate value of unquoted non-current investments			1,255.17			1,255.17
Aggregate net asset value of mutual fund investments			1,914.05			-

(₹ millions)

	Non Current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
8. TRADE RECEIVABLES				
Carried at amortized cost				
Trade receivables	10.60	31.32	8,116.34	6,278.71
Total trade receivables	**10.60**	**31.32**	**8,116.34**	**6,278.71**
Unsecured				
Considered good	10.60	31.32	8,116.34	6,278.71
Considered doubtful	433.90	563.84	-	-
Less: Provision for doubtful receivables	(433.90)	(563.84)	-	-
	10.60	**31.32**	**8,116.34**	**6,278.71**

	Non Current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
9. LOANS				
Unsecured - considered good				
Carried at amortized cost				
Deposits				
-Premises	142.39	166.99	558.98	451.75
-With government authorities	-	-	45.74	49.17
-Others	997.45	932.74	114.01	110.21
Loans to employees	-	-	2.40	3.72
Employee advances	-	10.86	102.96	92.15
	1,139.84	**1,110.59**	**824.09**	**707.00**

	Non Current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
10. OTHER FINANCIAL ASSETS				
Unsecured - considered good				
Carried at amortized cost				
Unbilled revenue	-	-	5,432.82	4,560.73
Non-current bank balances (refer note 13.b)	1.94	110.79	-	-
Accrued interest	-	-	79.27	59.86
Expense incurred on behalf of customers	-	-	44.16	12.20
Derivative instruments at FVTPL (not designated as hedges)				
Foreign exchange forward contracts	-	-	6.20	180.22
Derivative instruments at FVTOCI (cash flow hedges)				
Foreign exchange forward contracts	75.08	-	438.22	1,165.10
	77.02	**110.79**	**6,000.67**	**5,978.11**

	Non Current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
11. OTHER ASSETS				
Unsecured - considered good				
Rent equalization	25.10	395.46	354.09	557.79
Capital advances	375.97	376.62	-	-
Prepaid expenses	51.66	118.08	837.11	785.82
Advance to supplier / others	-	-	957.08	901.33
Indirect tax recoverable *	1,053.78	1,087.64	652.14	437.87
	1,506.51	**1,977.80**	**2,800.42**	**2,682.81**

* Indirect tax recoverable includes GST / Service Tax receivables and Service Tax refunds due net of provisions for ₹ 1,600.39 millions (31 March 2017: ₹ 1,407.84 millions). Effective 1 April 2011, the Group has obtained legal opinion in support of its position on non-applicability of service tax under 'Import of Services Rules' on onsite services provided by foreign vendors (including group companies) till June 2017. The management, per the legal opinion, is confident that the legal positions taken by the Group are tenable and defendable under law.

	31 March 2018			31 March 2017		
	Units	**NAV (₹)**	**₹ millions**	**Units**	**NAV (₹)**	**₹ millions**
12. CURRENT INVESTMENTS						
Investments carried at FVTPL						
Quoted mutual funds						
Kotak Floater Short Term - Direct Plan growth	350,403	2,851.9553	999.33	711,270	2,669.3783	1,898.65
L&T Liquid Fund Direct Plan Growth	592,437	2,382.8749	1,411.70	158,866	2,230.0389	354.28
Birla Sun life Cash Plus - Growth -Direct Plan	6,052,163	279.3146	1,690.46	3,619,254	261.3091	945.74
Reliance Liquid Fund - Treasury Plan Direct growth	347,180	4,239.8015	1,471.97	356,004	3,967.3577	1,412.40
Birla Sun Life Banking & PSU Debt -Direct Plan	19,422,529	52.4169	1,018.07	-	-	-
DSP BlackRock FMP Series 222	25,000,000	10.0771	251.93	-	-	-
HDFC FMP 92D	25,000,000	10.0732	251.83	-	-	-
Kotak Equity Arbitrage Fund Direct growth	69,123,872	25.5148	1,763.68	-	-	-
Kotak FMP Series 218 Direct Growth	25,000,000	10.0747	251.87	-	-	-
Reliance Arbitrage Advantage fund	68,919,338	18.2963	1,260.97	-	-	-
Reliance Fixed Horizon Fund XXXVI series 4	50,000,000	10.0811	504.06	-	-	-
0 % Nabard 2020	1,700	16,671.70	28.34	-	-	-
0 % REC 2020	1,830	24,795.60	45.38	-	-	-
IDFC Super Saver Income Fund- Short term plan Growth	-	-	-	29,635,077	34.3185	1,017.03
ICICI Prudential Liquid - Direct Plan - Growth	-	-	-	6,875,509	240.7173	1,655.05
ICICI Ultra Short Term Plan Direct Growth	-	-	-	91,180,422	17.1124	1,560.32
L&T Liquid Ultra short term Fund Growth	-	-	-	55,507,551	26.9023	1,493.28
L&T Short Term opportunities Fund Growth	-	-	-	79,565,712	15.9366	1,268.01
Reliance Money Manager Fund - Direct Growth	-	-	-	602,597	2,276.5217	1,371.83
Axis Treasury Advantage Fund - Direct Plan Growth	-	-	-	974,268	1,846.10	1,798.60
IDFC Money Manager Fund - Invest Plan - Direct Growth	-	-	-	43,032,506	25.7452	1,107.88
HDFC Short Term Opportunities Fund Growth	-	-	-	84,429,985	18.1005	1,528.22
Axis Short Term Fund - Direct Plan Growth	-	-	-	41,313,892	18.4013	760.23
Kotak Floater Short Term - Direct Plan daily dividend	-	-	-	1,564,740	1,011.62	1,582.92
Reliance Liquid Fund - Treasury Plan Direct plan daily dividend	-	-	-	292,292	1,528.74	446.84
Quoted debentures						
Citicorp Finance (India) Ltd.	36,000	102,829.72	3,701.87	25,000	100,000	2,500.00
			14,651.46			**22,701.28**
Aggregate value of quoted current investments			3,701.87			2,500.00
Aggregate net asset value of mutual fund investments			10,949.59			20,201.28

(₹ millions)

	Non Current		Current	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
13. CASH AND CASH EQUIVALENTS *				
a. Balances with banks:				
On current accounts	-	-	3,126.01	2,308.53
Deposits with original maturity of less than 3 months	-	-	1,502.05	3,812.52
Unclaimed dividend	-	-	13.67	11.51
Cash on hand	-	-	0.03	0.10
	-	**-**	**4,641.76**	**6,132.66**
b. Bank balances other than cash and cash equivalents				
Deposits with remaining maturity for more than 12 months	1.94	110.79	-	-
Deposits with remaining maturity for less than 12 months	-	-	2,425.47	11.46
	1.94	**110.79**	**2,425.47**	**11.46**
Disclosed under other non-current financial assets (refer note 10)	(1.94)	(110.79)	-	-
	-	**-**	**2,425.47**	**11.46**
	-	**-**	**7,067.23**	**6,144.12**

* includes restricted deposits and bank balances of ₹ 132.43 millions as at 31 March 2018 (31 March 2017: ₹ 132.24 millions).

		(₹ millions)
	31 March 2018	**31 March 2017**
14. EQUITY SHARE CAPITAL		
Authorised share capital		
245,000,000 (31 March 2017: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
Issued, subscribed and fully paid-up shares		
193,260,182 (31 March 2017: 210,417,080) equity shares of ₹ 10 each fully paid-up	1,932.60	2,104.17
Add: Amount originally paid-up on forfeited shares	0.07	0.07
Total issued, subscribed and fully paid-up share capital	**1,932.67**	**2,104.24**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	31 March 2018		31 March 2017	
	Number	**₹ millions**	**Number**	**₹ millions**
At the beginning of the year	210,417,080	2,104.17	210,187,117	2,101.87
Employee stock option plans issued	213,180	2.13	229,963	2.30
Buy back of shares	(17,370,078)	(173.70)	-	-
Outstanding at the end of the year	**193,260,182**	**1,932.60**	**210,417,080**	**2,104.17**

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates		**(₹ millions)**
	31 March 2018	**31 March 2017**
Marble II Pte Limited (subsidiary of the ultimate holding company) *	1,166.92	1,271.08
116,691,668 (31 March 2017: 127,108,444) equity share of ₹ 10 each fully paid		

* The ultimate holding company is Blackstone Capital Partners (Cayman II) VI L.P. w.e.f. 1 September 2016 (refer note 48).

(d) Equity shares movement during five years immediately preceding 31 March 2018

(i) Aggregate number of bonus shares and shares issued for consideration other than cash:

	31 March 2018	**31 March 2017**
Equity shares allotted as fully paid bonus shares by capitalization of securities premium / retained earnings	-	700

In addition, the Company has issued total 503,161 shares (31 March 2017: 309,523) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan wherein part consideration was received in form of employee services.

(ii) Equity shares extinguished / cancelled on buy back

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 ₹ 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.

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	**31 March 2018**		**31 March 2017**	
	Number	**% of holding**	**Number**	**% of holding**
Marble II Pte Limited	116,691,668	60.38	127,108,444	60.41

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(f) Shares reserved for issue under options

For details of shares reserved for issue under the ESOP plan of the Company, refer note 18.

	31 March 2018	**31 March 2017**
15. SECURITIES PREMIUM		
Balance as per previous financial statements	1,654.10	1,572.36
Utilized for buy back of equity shares	(1,654.10)	-
Premium on issue of shares	26.59	0.24
Transferred from stock options outstanding	68.59	81.50
Closing balance	**95.18**	**1,654.10**

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act.

		(₹ millions)
	31 March 2018	**31 March 2017**
16. GENERAL RESERVE		
Balance as per previous financial statements	6,596.04	5,965.38
Utilized for buy back of equity shares	(6,576.85)	-
Reversal on lapse of options granted	2.18	5.65
Amount transferred from surplus balance in the statement of profit and loss	739.89	625.01
Closing balance	**761.26**	**6,596.04**

General reserve represents appropriation of profits.

	31 March 2018	**31 March 2017**
17. RETAINED EARNINGS		
Balance as per previous financial statements	45,835.25	43,625.45
Re-measurement gains / (losses) on defined benefit plans	(21.55)	(22.25)
Profit for the year	8,374.99	7,915.76
Utilized for buy back of equity shares	(2,625.35)	-
Transferred to CRR on buy back of equity shares	(173.70)	-
Buy back related expenses	(30.34)	-
Less: Appropriations		
Equity dividend	3,283.08	4,202.11
Dividend Distribution Tax	668.37	856.59
Transfer to general reserve	739.89	625.01
Total appropriations	**4,691.34**	**5,683.71**
Net surplus in the statement of profit and loss	**46,667.96**	**45,835.25**

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

Proposed dividend on equity shares

Proposed dividend for the year ended 31 March 2018 is ₹ 20 per share amounting to ₹ 3,865.20 millions and DDT of ₹ 794.69 millions. Proposed dividends on equity shares are subject to approval at the annual general meeting and are not recognized as a liability (including DDT thereon).

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. Accordingly, the Company has accounted the same in accordance with Ind AS-10.

	31 March 2018	**31 March 2017**
18. OTHER RESERVES		
Capital reserve (a)		
Balance as per previous financial statements	361.39	361.39
Closing balance	**361.39**	**361.39**
Capital redemption reserve (b)		
Balance as per previous financial statements	4.75	4.75
Transferred from retained earnings on buy back of equity shares	173.70	-
Closing balance	**178.45**	**4.75**
Share based payments (c)		
Balance as per previous financial statements	190.47	170.43
Add: Expense for the year	199.02	215.26
Less: Transferred to securities premium on exercise of options	68.59	81.50
Less: Exercise of options	0.45	108.07
Less: Reversal on lapse of options granted	2.22	5.65
Closing balance	**318.23**	**190.47**
Treasury shares (d)		
Balance as per previous financial statements	(0.45)	(158.29)
Transaction during the year	0.45	157.84
Closing balance	**-**	**(0.45)**
Hedging reserve (e)		
Balance as per previous financial statements	761.67	248.64
Transaction during the year	1,158.25	1,302.81
Transfer to revenue	(1,683.02)	(789.78)
Closing balance	**236.90**	**761.67**

(Continued)

		(₹ millions)
	31 March 2018	**31 March 2017**
18. OTHER RESERVES (Continued)		
Foreign currency translation reserve (f)		
Balance as per previous financial statements	4,016.60	4,658.25
Transaction during the year	249.18	(641.65)
Closing balance	**4,265.78**	**4,016.60**
Total other reserves	**5,360.75**	**5,334.43**

a. Created due to redemption of redeemable preference shares and receipts from liquidation of trust.

b. Capital Redemption Reserve created to the extent of sum equal to the nominal value of the share capital extinguished on buyback of Company's own shares in accordance with Section 69 of the Companies Act, 2013.

c. Share based payments reserve is used to record the fair value of equity-settled share based payment transactions with employees. The amounts recorded in this account are transferred to share premium upon exercise of stock options by employees. In case of lapse, corresponding balance is transferred to general reserve.

d. Represents equity shares of the Company held by the controlled trusts.

e. Changes in the fair value of financial instruments designated as hedge is recognized in this reserve through OCI. Amounts recognized in hedging reserve is reclassified to statement of profit and loss when the hedge item affects profit or loss.

f. Exchange difference relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Employee Stock Option Plans - Equity settled

***Employees Stock Option Plan-1998 (the 1998 Plan)*:** The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose. In accordance with the 1998 Plan, the Committee has formulated 1998 Plan - (Version I) and 1998 Plan - (Version II) during the years 1998-1999 and 1999-2000 respectively**.**

1998 Plan – (Version I): Each option, granted under the 1998 Plan - (Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

The movements in the options granted under the 1998 Plan - (Version I) for the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018		**Year ended 31 March 2017**	
1998 Plan (Version I)	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	47,000	34.38	47,000	34.38
Options outstanding at the end	**47,000**	**34.38**	**47,000**	**34.38**
Exercisable at the end	**47,000**	**34.38**	**47,000**	**34.38**

The options outstanding as at 31 March 2018 has an exercise price of ₹ 34.38 (31 March 2017: ₹ 34.38).

***1998 Plan - (Version II)**:* Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in the case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to a minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan - (Version II) for the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018		**Year ended 31 March 2017**	
1998 Plan (Version II)	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	9,816	84.67	94,400	117.29
Lapsed	6,616	84.21	81,624	122.39
Exercised	3,200	85.63	2,960	84.94
Options outstanding at the end	**-**	**-**	**9,816**	**84.67**
Exercisable at the end	**-**	**-**	**9,816**	**84.67**

The weighted average share price as at the date of exercise for stock options was ₹ 584.78 (31 March 2017: ₹ 527.86). The options outstanding as at 31 March 2018 has an exercise price of ₹ Nil (31 March 2017: ₹ 67.38 to ₹ 92.00) and weighted average remaining contractual life of Nil years (31 March 2017: 0.31 years).

Employees Stock Option Plan - 2004 (the 2004 Plan): At the Extraordinary General Meeting held on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of Msource Corporation as on 20 September 2004, pursuant to its merger with Mphasis Corporation and the assumption of the Msource stock options by the Company.

The 2004 Plan is administered through the ESOP Committee appointed by the Board and comprises two programs. Under Program A, outstanding options of Msource Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the Msource 2001 plan, the exercise price being the equivalent amount payable by the option holder under the Msource 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the Msource 2001 plan.

Options under Program B represent fresh grants and will be issued to employees at an exercise price which shall be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options granted under the 2004 plan for the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018		**Year ended 31 March 2017**	
2004 Plan	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	1,598	138.69	2,356	120.22
Lapsed	1,598	138.69	350	117.36
Exercised	-	-	408	50.34
Options outstanding at the end	**-**	**-**	**1,598**	**138.69**
Exercisable at the end	**-**	**-**	**1,598**	**138.69**

The weighted average share price as at the date of exercise for stock options was ₹ Nil (31 March 2017: ₹ 464.30). The options outstanding as at 31 March 2018 has an exercise price of ₹ Nil (31 March 2017: ₹ 117.36 to ₹ 148.07) and weighted average remaining contractual life of Nil years (31 March 2017: 0.62 years).

Employees Stock Option Plan - 2012 (the 2012 Plan): Effective 14 March 2012, the Company instituted the 2012 Plan. The Board and the shareholders of the Company approved the 2012 plan on 20 January 2012. The 2012 plan provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The 2012 plan is administered by the Mphasis Employees Benefit Trust which is created for this purpose. Each option, granted under this plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the 2012 plan for the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018		**Year ended 31 March 2017**	
2012 Plan	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	-	-	146,450	410.25
Lapsed	-	-	30,475	410.25
Exercised	-	-	115,975	410.25
Options outstanding at the end	**-**	**-**	**-**	**-**

The weighted average share price as at the date of exercise of stock option was ₹ Nil (31 March 2017: ₹ 562.67).

Employees Stock Option Plan - 2016 (the 2016 Plan): Effective 4 November 2016, the Company instituted the 2016 Plan. The Board of Directors of the Company and the shareholders approved the 2016 Plan at its meeting held on 27 September 2016 and 4 November 2016 respectively. The 2016 plan provides for the issue of options to certain employees of the Company and its subsidiaries.

The 2016 Plan is administered by the Mphasis Employees Equity Reward Trust. As per the ESOP 2016 Plan, the stock options are granted at the Market Price subject to a discount up to twenty per cent (20%) as may be determined by the Compensation Committee at the time of Grant. The equity shares covered under these options vest over 60 months from the date of grant. The exercise period is thirty-six months from the respective date of vesting.

The movements in the options under the 2016 plan for the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018		**Year ended 31 March 2017**	
2016 Plan	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	3,885,100	500.00	-	-
Granted	1,613,176	630.20	3,916,900	500.00
Forfeited	485,610	504.59	31,800	500.00
Exercised	53,780	500.00	-	-
Options outstanding at the end	**4,958,886**	**541.91**	**3,885,100**	**500.00**
Exercisable at the end	**658,000**	**500.00**	**-**	**-**

The weighted average share price as at the date of exercise of stock option was ₹ 831.99 (31 March 2017: ₹ Nil). The options outstanding on 31 March 2018 has an exercise price ranging from ₹ 500.00 to ₹ 650.00 (31 March 2017: ₹ 500.00) and the weighted average remaining contractual life of 5.10 years (31 March 2017: 5.78 years).

The weighted average fair value of stock options granted during the year was ₹ 228.54 (31 March 2017: ₹ 130.58). The Black-Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	31 March 2018	**31 March 2017**
Weighted average share price on the date of grant (₹)	775.62	541.72
Exercise Price (₹)	500.00 to 650.00	500.00
Expected Volatility*	24.18% to 26.98%	32.06%
Life of the options granted in years	1-5 years	1 -5 Years
Average risk-free interest rate	6.38% to 7.26%	6.38%
Expected dividend rate	2.85% to 3.93%	3.93%

* The expected volatility was determined based on historical volatility data.

Total Employee Compensation Cost pertaining to 2016 Plan during the year is ₹ 199.02 millions (31 March 2017: ₹ 46.30 millions.)

Restricted Stock Unit Plan-2014 ('RSU Plan-2014')

Effective 20 October 2014, the Company instituted the Restricted Stock Unit Plan-2014. The Board and the shareholders of the Company approved RSU Plan-2014 on 14 May 2014. The RSU Plan-2014 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2014 is administered by the Mphasis Employees Benefit Trust. Each option, granted under the RSU Plan-2014, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to thirty-six months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the RSU Plan-2014 for the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018		Year ended 31 March 2017	
RSU 2014 Plan	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	88,545	10.00	328,640	10.00
Forfeited	-	-	7,537	10.00
Lapsed	-	-	5,963	10.00
Exercised	53,090	10.00	226,595	10.00
Options outstanding at the end	**35,455**	**10.00**	**88,545**	**10.00**
Exercisable at the end	**35,455**	**10.00**	**88,545**	**10.00**

The weighted average share price as at the date of exercise of stock option was ₹ 654.64 (31 March 2017: ₹ 537.65). The options outstanding on 31 March 2018 has an exercise price of ₹ 10.00 (31 March 2017: ₹ 10.00) and the weighted average remaining contractual life of 1.18 years (31 March 2017: 2.19 years).

Total Employee Compensation Cost pertaining to RSU Plan-2014 during the year is ₹ Nil (31 March 2017: ₹ 17.01 millions).

Restricted Stock Unit Plan-2015 ('RSU Plan-2015')

Effective 29 July 2015, the Company instituted the Restricted Stock Unit Plan-2015. The Board and the shareholders of the Company approved RSU Plan-2015 on 9 September 2015. The RSU Plan-2015 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2015 is administered by the Mphasis Employees Benefit Trust. Each option, granted under the RSU Plan-2015, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to thirty-six months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the RSU Plan-2015 for the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018		Year ended 31 March 2017	
RSU 2015 Plan	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	192,900	10.00	423,050	10.00
Forfeited	-	-	11,250	10.00
Lapsed	5,000	10.00	-	-
Exercised	104,050	10.00	218,900	10.00
Options outstanding at the end	**83,850**	**10.00**	**192,900**	**10.00**
Exercisable at the end	**83,850**	**10.00**	**192,900**	**10.00**

The weighted average share price as at the date of exercise of stock option was ₹ 629.92 (31 March 2017: ₹ 551.62). The options outstanding on 31 March 2018 has an exercise price of ₹ 10.00 (31 March 2017: ₹ 10.00) and the weighted average remaining contractual life of 1.62 years (31 March 2017: 2.62 years).

Total Employee Compensation Cost pertaining to RSU Plan-2015 during the year is ₹ Nil (31 March 2017: ₹ 74.74 millions).

(₹ millions)

	Non Current		Current	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
19. OTHER FINANCIAL LIABILITIES				
Carried at amortized cost				
Salary related costs	-	-	1,371.23	1,266.22
Capital creditors	-	-	28.24	36.78
Other payables	10.67	11.03	209.68	284.55
Unpaid dividend*	-	-	13.67	11.51
Derivative instruments at FVTPL (not designated as hedges)				
Foreign exchange forward contracts	-	-	58.38	1.37
Derivative instruments at FVTOCI (cash flow hedges)				
Foreign exchange forward contracts	27.48	-	121.67	0.33
	38.15	**11.03**	**1,802.87**	**1,600.76**

* Unclaimed dividends when due shall be credited to Investor Protection and Education Fund.

(₹ millions)

	Non Current		Current	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
20. NET EMPLOYEE DEFINED BENEFIT LIABILITIES				
Provision for gratuity [refer note 42 (a)]	523.37	543.53	200.00	300.00
Provision for employee compensated absences	-	-	530.63	483.98
	523.37	**543.53**	**730.63**	**783.98**

	Non Current		Current	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
21. PROVISIONS				
Provision for loss on long-term contract	50.00	-	150.00	204.06
Other provisions	-	-	95.80	169.14
	50.00	**-**	**245.80**	**373.20**

Provisions	Legal fees	Onerous contracts	Sale of business	Others	Total
As at 1 April 2017	48.03	204.06	35.00	86.11	**373.20**
Additions during the year	-	200.00	-	-	**200.00**
Re-statement of balances	-	-	-	1.10	**1.10**
Utilised / paid / reversed	-	(204.06)	(2.00)	(72.44)	**(278.50)**
As at 31 March 2018	**48.03**	**200.00**	**33.00**	**14.77**	**295.80**
Current	48.03	150.00	33.00	14.77	**245.80**
Non-current	-	50.00	-	-	**50.00**
As at 1 April 2016	48.03	483.66	63.17	167.91	**762.77**
Re-statement of balances	-	-	-	(8.22)	**(8.22)**
Utilised / paid / reversed	-	(279.60)	(28.17)	(73.58)	**(381.35)**
As at 31 March 2017	**48.03**	**204.06**	**35.00**	**86.11**	**373.20**
Current	48.03	204.06	35.00	86.11	**373.20**
Non-current	-	-	-	-	**-**

a) During the year ended 31 March 2016, the Group had formalized a plan to early exit / ramp down operations in respect of certain domestic BPO contracts. During the year ended 31 March 2017 the Group reversed ₹ 21.57 millions (net of tax of ₹ 11.41 millions) and the closing balance as at 31 March 2018 is ₹ 33.00 millions (31 March 2017: ₹ 35.00 millions).

b) The loss incurred on onerous contracts during the year ended 31 March 2017 has been adjusted against the provision and the balance as at 31 March 2017 is ₹ 204.06 millions. Further, during the year, upon assessment of future profitability, the Group provided an amount of ₹ 130.78 millions (net of tax ₹ 69.22 millions) towards expected loss and the same has been disclosed as an exceptional item. The closing balance as at 31 March 2018 is ₹ 200.00 millions.

	Non Current		Current	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
22. OTHER LIABILITIES				
Unearned revenue	-	-	763.98	338.82
Advances from clients	-	-	1.16	0.51
Rent equalization	43.62	48.02	13.49	24.65
Statutory dues	-	-	667.10	633.41
	43.62	**48.02**	**1,445.73**	**997.39**

	31 March 2018	**31 March 2017**
23. SHORT TERM BORROWINGS		
Pre-shipment loan in foreign currency from bank (unsecured) *	1,299.60	-
Loan from Citibank **	2,599.20	2,601.60
	3,898.80	**2,601.60**

* Pre-shipment loan carries interest @ LIBOR plus 0.05% (31 March 2017: LIBOR plus 0.20%) p.a. The loan is repayable on 27 April 2018.
** Loan from Citibank carries interest @ LIBOR plus 1.65% (31 March 2017: LIBOR plus 1.65%) p.a. The loan is repayable within 22 June 2018. The loan is secured against current assets of Mphasis Corporation USA.

	Non Current		Current (₹ millions)	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
24. TRADE PAYABLES				
Carried at amortized cost				
Trade payables	-	-	5,023.92	3,878.22
	-	**-**	**5,023.92**	**3,878.22**

Terms and conditions of the above trade payables are as below:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- For explanation on the Group's credit risk management refer note 44.

25. TAXES

Income tax expenses in the statement of profit and loss consist of the following:

	Year ended 31 March 2018	Year ended 31 March 2017
Taxes		
Current taxes	3,159.48	2,861.11
Deferred taxes	(258.73)	215.23
Total taxes	**2,900.75**	**3,076.34**

Under the Indian Income Tax Act, 1961, the Company is liable to pay Minimum Alternate Tax in the tax holiday period. MAT paid can be carried forward for a period of 15 years and can be set off against the future tax liabilities.

The Company has units at Bengaluru, Hyderabad, Chennai and Pune registered as Special Economic Zone (SEZ) units which are entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961. The Group also has STPI units at Bengaluru, Pune and other locations which are registered as a 100 percent Export Oriented Unit, which were earlier entitled to a tax holiday under Section 10B / 10A of the Income Tax Act, 1961.

A portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations from undertakings situated in Special Economic Zone (SEZ). Under the Special Economic Zone Act, 2005 scheme, units in designated special economic zones providing service on or after 1 April 2005 will be eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits and gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions.

Dividend income from certain category of investments is exempt from tax. The difference between the reported income tax expense and income tax computed at statutory tax rate is primarily attributable to income exempt from tax, tax deductions and tax effect on allowances / disallowances.

The Group is also subject to tax on income attributable to its permanent establishment in certain foreign jurisdictions due to operation of its foreign branches and subsidiaries.

Mphasis Limited and certain entities in the Group have entered into international and specified domestic transactions with its associated enterprises within the meaning of section 92B and section 92BA respectively of the Income Tax Act, 1961. The Group is of the view that all the aforesaid transactions have been made at arms' length terms.

Deferred tax for the year ended 31 March 2018 and 31 March 2017 relates to origination and reversal of temporary differences.

Reconciliation of taxes to the amount computed by applying the statutory income tax rate to the income before taxes is summarized below:

	Year ended 31 March 2018	Year ended 31 March 2017
Profit before exceptional item and tax	**11,406.52**	**11,143.78**
Applicable tax rates in India	34.608%	34.608%
Computed tax charge (A)	**3,947.57**	**3,856.64**
Tax effect on exempt operating income	(855.07)	(676.68)
Tax effect on exempt non - operating income	(106.66)	(284.24)
Tax effect on permanent non - deductible expenses	22.98	21.59
Tax effect on differential domestic / overseas tax rate	37.36	182.71
Tax effect on undistributed earnings of foreign subsidiaries of US entities	342.01	-
Tax Effect on DTA recognised on carried forward Long Term Capital Loss	(166.17)	-
Reversal of tax expenses on account of completed assessments	(331.96)	-
Others	10.69	(23.68)
Total adjustments (B)	**(1,046.82)**	**(780.30)**
Total tax expenses (A+B)	**2,900.75**	**3,076.34**

Pursuant to the Tax Cuts and Jobs Act ("US Tax Reforms"), the US Tax Reforms has reduced the statutory U.S. Corporate income tax rate from 35% to 21% effective 1 January 2018. The US Tax Reforms also provides for a one-time tax on certain accumulated undistributed post-1986 earnings of foreign subsidiaries.

Upon the enactment of the US Tax Reforms, the Group provisionally recognized an income tax provision of ₹ 342.01 millions (USD 5.23 millions) with respect to the deemed repatriation of the accumulated undistributed post-1986 earnings of specified foreign subsidiaries.

The Group also recorded reduction in deferred income tax asset of approximately ₹ 41.18 millions relating to the re-measurement of the U.S. deferred tax assets on account of the aforementioned change in the U.S. statutory income tax rate. Thus, upon the enactment of the US Tax Reforms, the Group included a net income tax provision in financial statements for the year ended 31 March 2018 amounting to ₹ 383.19 millions.

The one-time incremental income tax expense is provisional as at 31 March 2018 since it reflects certain assumptions based upon interpretation of the Tax Reform Act as of 31 March 2018 and may change as we receive additional clarification and guidance and as the interpretation of the Tax Reform Act evolves over time. The Group currently expects that the accounting for the repatriation tax under the US Tax Reforms will be completed by December 2018.

During the quarter ended 31 March 2018, the Group has reversed certain income tax provisions of ₹ 331.96 millions which pertains to Completed Tax Assessment. Further during the quarter ended 31 March 2018, the Group has recognised deferred tax asset of ₹ 166.17 millions on capital losses of previous periods and is confident of reversal of the timing differences in the foreseeable future.

(₹ millions)

	Non Current		**Current**	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
Income tax assets (Net)				
Advance income-tax (net of provision for taxation)	4,570.34	4,352.88	-	-
	4,570.34	**4,352.88**	**-**	**-**
Income tax liabilities (Net)				
Provision for taxation	311.00	-	871.95	650.80
	311.00	**-**	**871.95**	**650.80**
Net income tax asset			**3,387.39**	**3,702.08**

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities are as follows:

	31 March 2018	**31 March 2017**
Deferred Tax Asset (Net)		
Depreciation and amortization expense: Difference between tax depreciation and depreciation / amortization as per statement of profit and loss	276.11	475.93
Provision for doubtful debts and advances	159.78	186.01
Provision for employee benefits	387.62	390.40
Provision for loss on long-term contract	16.23	16.08
Deferred tax liability on rent equalization reserve	(132.26)	(330.43)
On Carried forward Long Term Capital Loss	166.17	-
Others	183.17	(119.82)
	1,056.82	**618.17**
Deferred Tax Liabilities (Net)		
Depreciation and amortization expense: Difference between tax depreciation and depreciation / amortization as per statement of profit and loss	182.28	327.41
Provision for employee benefits	(117.68)	(151.02)
Deferred tax asset on rent equalization reserve	(2.01)	(3.90)
Others	(12.88)	(14.19)
	49.71	**158.30**
Net deferred tax asset	**1,007.11**	**459.87**

* net of MAT credit utilisation of ₹ Nil (31 March 2017: ₹ 341.26 millions).

	Year ended 31 March 2018	**Year ended 31 March 2017**
26. REVENUE FROM OPERATIONS		
Sale of services	63,775.34	59,925.50
Sale of traded goods	-	48.29
Profit on cash flow hedges	1,683.02	789.78
	65,458.36	**60,763.57**
26.1 Details of services rendered:		
Application maintenance & other services	21,038.41	21,743.77
Application development	16,575.32	14,191.06
Infrastructure management services	8,873.00	8,226.19
Knowledge processing services	7,446.41	9,091.25
Other services	9,842.20	6,673.23
	63,775.34	**59,925.50**

(₹ millions)

	Year ended 31 March 2018	Year ended 31 March 2017
26.2 Details of traded goods sold:		
Cash deposit machine and UPS	-	48.29
	-	**48.29**

	Year ended 31 March 2018	Year ended 31 March 2017
27. OTHER INCOME		
Interest income on		
Bank deposits	105.93	206.63
Long term bonds	90.63	90.73
Others	82.22	219.22
Dividend income on investments	22.45	388.70
Net gain on investments carried at FVTPL *	1,208.06	1,155.37
Foreign exchange gain / (loss), (net)	96.21	273.98
Profit on sale of fixed assets, (net)	4.53	29.29
Miscellaneous income	10.93	22.14
	1,620.96	**2,386.06**

* includes profit on sale of investments.

	Year ended 31 March 2018	Year ended 31 March 2017
28. PURCHASE OF STOCK-IN-TRADE		
Cash deposit machine and UPS	-	0.24
	-	**0.24**

	Year ended 31 March 2018	Year ended 31 March 2017	(Increase) / decrease
28.1 CHANGES IN INVENTORIES OF STOCK-IN-TRADE			
Inventories at the end of the year			
Traded goods	-	-	-
	-	-	-
Inventories at the beginning of the year			
Traded goods	-	40.99	40.99
	-	**40.99**	**40.99**
	-	**40.99**	

	Year ended 31 March 2018	Year ended 31 March 2017
29. EMPLOYEE BENEFITS EXPENSE		
Salaries and bonus	35,108.55	34,230.49
Contribution to provident and other funds	2,300.23	2,179.68
Employee share based payment	199.02	138.05
Gratuity expense [refer note 42 (a)]	170.30	193.99
Staff welfare expenses	401.17	353.40
	38,179.27	**37,095.61**

	Year ended 31 March 2018	Year ended 31 March 2017
30. FINANCE COSTS		
Interest	100.98	131.00
Exchange difference to the extent considered as an adjustment to borrowing costs	28.98	7.75
	129.96	**138.75**

(₹ millions)

	Year ended 31 March 2018	Year ended 31 March 2017
31. DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation of property, plant and equipment (refer note 3)	421.69	412.46
Amortization of intangible assets (refer note 5)	286.52	379.03
	708.21	**791.49**

	Year ended 31 March 2018	Year ended 31 March 2017
32. OTHER EXPENSES		
Travel	1,687.70	1,797.33
Recruitment expenses	358.12	427.75
Communication expenses	606.36	614.31
Rent	2,274.64	2,264.10
Professional charges	2,609.63	2,318.00
Payment to auditor (refer details below)	18.69	19.91
Provision for doubtful debts	(33.16)	1.66
Software development expenses	6,171.42	3,702.33
Power and fuel	297.54	350.85
Software support & annual maintenance charges	1,024.25	949.46
Insurance	184.44	143.21
Rates & taxes *	82.30	(11.71)
Repairs & maintenance	32.41	35.57
Corporate Social Responsibility expense (refer note 47)	131.28	133.56
Miscellaneous expenses	1,209.74	1,192.44
	16,655.36	**13,938.77**

* Rates and taxes includes refund received against Service Tax receivables during the year ended 31 March 2017.

Payment to Auditor *		
As auditor:		
Statutory audit fee	14.25	15.80
Other services (certification fees)	3.27	3.08
Reimbursement of expenses	1.17	1.03
	18.69	**19.91**

* excluding Service Tax / Goods and Service tax.

	Year ended 31 March 2018	Year ended 31 March 2017
33. EXCEPTIONAL ITEM (NET OF TAX)		
Expected loss on sale of domestic BPO business	-	(2.58)
Expected loss on exit from other domestic BPO business [refer note 21 (a)]	-	(21.57)
Provision for loss on long-term contract [refer note 21 (b)]	130.78	-
Impairment of Mphasis Shanghai goodwill	-	83.77
Accelerated cost due to change in control (refer note 49)	-	58.52
Others	-	33.54
	130.78	**151.68**

34. EARNINGS PER SHARE ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	Year ended 31 March 2018	Year ended 31 March 2017
Profit before exceptional item (₹ in millions)	8,505.77	8,067.44
Profit after exceptional item (₹ in millions)	8,374.99	7,915.76
Number of weighted average shares considered for calculation of basic earnings per share	196,333,584	210,035,384
Add: Dilutive effect of stock options	297,424	345,892
Number of weighted average shares considered for calculation of diluted earnings per share	**196,631,008**	**210,381,276**

The above does not include 21,000 (31 March 2017: 21,000) bonus shares held in abeyance by the Company.

35. The Group's software development centres and call centres in India include 100% Export Oriented Units ('EOU'), Special Economic Zone ('SEZ') under Special Economic Zone Ordinance and Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, if certain terms and conditions are not fulfilled.

36. CONTINGENT LIABILITIES AND COMMITMENTS

a) 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 ₹ 3,511.65 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 ₹ 7,099.69 millions (31 March 2017: ₹ 7,118.14 millions) net of bank guarantees aggregating to ₹ 6,662.76 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.

b) Other outstanding bank guarantees as at 31 March 2018: ₹ 607.78 millions (31 March 2017: ₹ 774.76 millions) including those furnished on account of jointly controlled operations ₹ 22.00 millions (31 March 2017: ₹ 99.35 millions) and customs authorities aggregating to ₹ 53.66 millions (31 March 2017: ₹ 53.66 millions).

c) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 March 2018: ₹ 274.54 millions (31 March 2017: ₹ 97.19 millions).

d) 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.

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

37. OPERATING LEASES

The Group is obligated under non-cancellable leases for equipments, office and residential space that are renewable on a periodic basis at the option of the lessor and the lessee. Total rental expense under non-cancellable operating leases amounted to ₹ 1,013.08 millions for the year ended 31 March 2018 (31 March 2017: ₹ 1,020.44 millions).

Future minimum lease payments under non-cancellable operating leases are as follows:

(₹ millions)

Period	**31 March 2018**	**31 March 2017**
Not later than 1 year	531.62	530.07
Later than 1 year and not later than 5 years	772.88	706.78
More than 5 years	-	25.35
	1,304.50	**1,262.20**

The Group has also occupied office facilities and residential facilities under cancellable operating lease agreements. The Group intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases for the year ended 31 March 2018 amounted to ₹ 1,261.56 millions (31 March 2017: ₹ 1,243.66 millions).

Office premises are obtained on operating lease for terms ranging from 1 to 7 years and are renewable at the option of the Group / lessor.

38. RELATED PARTY TRANSACTIONS

Entities where control exists

	Upto 31 August 2016	**From 1 September 2016**
Ultimate holding company	Hewlett-Packard Enterprise Company	Blackstone Capital Partners (Cayman II) VI L.P.
Inter mediate holding company	Hewlett Packard Barcelona BV	Blackstone Capital Partners (Singapore) VI Holding Co Pte Ltd.
Immediate holding companies	EDS Asia Pacific Holdings	Marble II Pte Limited
	EDS World Corporation (Far East) LLC	
	EDS World Corporation (Netherlands) LLC	

Immediate holding company holds 60.38% (31 March 2017: 60.41%) of the total share capital of the Company.

The related parties also include Kshema Employees Welfare Trust and Mphasis Provident Fund Trust.
(Refer note 42 (b) for information on transactions with Mphasis Provident Fund Trust mentioned above).

Key management personnel

Nitin Rakesh	Chief Executive Officer (Appointed w.e.f. 29 January 2017)
Balu Ganesh Ayyar	Chief Executive Officer (Resigned w.e.f. 29 January 2017)
A. Sivaram Nair	Executive Vice President, Company Secretary General Counsel & Ethics Officer (Resigned w.e.f..31 October 2017)
V. Suryanarayanan	Executive Vice President & Chief Financial Officer
Subramanian Narayan	Vice President & Company Secretary (Appointed w.e.f. 1 November 2017)
James Mark Merritt	Director - Vice Chairman of the Board- (Resigned w.e.f. 1 September 2016)
Davinder Singh Brar	Non Executive Independent Director, Chairman of the Board
Narayanan Kumar	Director - Non Executive Independent Director
Lakshmikanth K Ananth	Director- Resigned w.e.f. 1 September 2016
Stefan Antonio Lutz	Director- Resigned w.e.f. 1 September 2016
Mary Teresa Hassett	Director- Resigned w.e.f. 1 September 2016
Jan Kathleen Hier	Non Executive Independent Director
Jeff Thomas Ricci	Non-Executive Director – Resigned w.e.f. 1 September 2016
Amit Dixit	Director – Appointed w.e.f. 1 September 2016
Amit Dalmia	Director – Appointed w.e.f. 1 September 2016
Paul James Upchurch	Director – Appointed w.e.f. 1 September 2016
Dario Zamarian	Director – Appointed w.e.f. 1 September 2016
David Lawrence Johnson	Director – Appointed w.e.f. 1 September 2016

Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place

Indirect tax recoverable	Hewlett-Packard Limited
Hewlett Packard Software, LLC	Hewlett-Packard Multimedia SDN BHD
Hewlett-Packard (Canada) Co.	Hewlett-Packard Nederland B.V.
Hewlett-Packard (India) Software Operation Private Limited	Hewlett-Packard OY
Hewlett-Packard (Schweiz) GmbH	Hewlett-Packard Singapore (Sales) Pte. Ltd
Hewlett-Packard ApS	Hewlett-Packard Sverige A.B.
Hewlett-Packard Australia Pty Limited.	HP Enterprise Services (Hong Kong) Limited
Hewlett-Packard Belgium B.V.B.A/S.P.R.L	HP Enterprise Services Australia Pty Ltd
Hewlett-Packard Centre de Competence France SAS	HP Enterprise Services BPA Pty Ltd
Hewlett-Packard de Mexico S. De R.L. De CV	HP Enterprise Services Italia S.r.l
Hewlett-Packard Enterprise Services UK Limited	HP Enterprise Services, LLC
Hewlett-Packard France SAS	HP Facilities Services (Malaysia) Sdn Bhd
Hewlett-Packard Globalsoft Private Limited	HP Financial Services (Australia) Pty Limited
Hewlett-Packard GmbH	HP Financial Services (New Zealand)
Hewlett-Packard International Sa'rl	HP Services (Singapore) Pte Ltd
Hewlett-Packard Enterprise Singapore Pte. Ltd.	Hewlett-Packard Enterprise India Private Limited

The above companies ceased to be related parties w.e.f. 1 September 2016 (refer note 48)**.**

The following is the summary of significant transactions with related parties by the Group: (₹ millions)

	Year ended 31 March 2018	Year ended 31 March 2017
Rendering of services - entities where control exists	**-**	**960.84**
Hewlett-Packard Enterprise Company	-	960.84
Rendering of services - other related parties	**-**	**4,898.46**
HP Enterprise Services, LLC	-	2,995.05
Hewlett-Packard Australia Pty Limited	-	893.01
Hewlett-Packard Enterprise Services UK Ltd.	-	436.50
Others	-	573.90
Purchase of fixed assets - other related parties	**-**	**0.50**
Hewlett Packard Singapore (Sales) Pte. Limited	-	0.50
Software development charges - other related parties	**-**	**4.56**
HP Services (Singapore) Pte Limited	-	4.56
Software support and annual maintenance charges - other related parties	**-**	**220.75**
HP Services (Singapore) Pte Limited	-	220.09
Others	-	0.66
Other expenses incurred - other related parties	**-**	**5.13**
HP Services (Singapore) Pte Limited	-	0.92
Hewlett Packard Enterprise India Pvt Ltd	-	2.83
Hewlett Packard Singapore (Sales) Pte Ltd	-	1.35
Others	-	0.03
Dividend paid (on cash basis)	**1,983.76**	**2,542.17**
Marble II Pte Limited	1,983.76	2,542.17
Remuneration / Commission to key management personnel *	**145.52**	**311.42**
Nitin Rakesh	86.14	29.64
Balu Ganesh Ayyar	-	215.70
Others	59.38	66.08

* This does not include remuneration paid to certain directors by the ultimate parent company and its affiliates as they are employees of the said companies.

The balances receivable from and payable to related parties are as follows:

	31 March 2018	31 March 2017
Remuneration / Commission payable to key management personnel	**5.10**	**9.75**
Davinder Singh Brar	0.98	2.10
Narayanan Kumar	0.85	1.80
David Lawrence Johnson	0.83	2.00
Dario Zamarian	0.76	2.00
Jan Kathleen Hier	0.87	1.85
Paul James Upchurch	0.81	-

39. Additional information pursuant to para 2 of general instructions for the preparation of the Consolidated Financial Statements for years ended 31 March 2018 and 31 March 2017.

31 March 2018	**Consolidated net assets**		**Consolidated profit or loss**		**Consolidated OCI**		**Consolidated total Comprehensive Income**	
Name of the entity	**Percentage**	**₹ millions**	**Percentage**	**₹ millions**	**Percentage**	**₹ millions**	**Percentage**	**₹ millions**
Parent								
Mphasis Limited	42.697	39,074.24	70.514	7,398.91	84.579	(493.84)	69.686	6,905.07
Indian subsidiaries								
Msource (India) Private Limited	9.119	8,345.42	4.405	462.16	9.024	(52.69)	4.132	409.47
Mphasis Software and Services (India) Private Limited	1.731	1,584.13	0.388	40.66	-	-	0.410	40.66
Foreign subsidiaries								
Mphasis Corporation	6.798	6,221.46	2.921	306.48	(2.113)	12.34	3.218	318.82
Mphasis Deutschland GmbH	0.111	101.69	0.244	25.59	(1.749)	10.21	0.361	35.80
Mphasis Australia Pty Limited	0.615	563.13	0.506	53.07	(1.545)	9.02	0.627	62.09
Mphasis (Shanghai) Software & Services Company Limited	0.151	137.81	0.120	12.57	(2.288)	13.36	0.262	25.93
Mphasis Consulting Limited	0.667	610.76	(0.033)	(3.44)	(12.069)	70.47	0.676	67.03
Mphasis Ireland Limited	0.045	40.75	0.084	8.82	(0.697)	4.07	0.130	12.89
Mphasis Belgium BVBA	0.352	322.46	0.278	29.19	(6.327)	36.94	0.667	66.13
Mphasis Lanka Private Limited	-	-	-	-	-	-	-	-
Mphasis Poland s.p.z.o.o	(0.013)	(11.69)	0.045	4.68	0.339	(1.98)	0.027	2.70
Msource Mauritius Inc.	0.688	629.60	(0.014)	(1.47)	(0.677)	3.95	0.025	2.48
PT. Mphasis Indonesia	-	0.01	(0.003)	(0.33)	-	-	(0.003)	(0.33)
Mphasis Europe BV	12.715	11,636.32	(0.347)	(36.36)	(4.621)	26.98	(0.095)	(9.38)
Mphasis Pte Limited	0.457	418.00	0.426	44.72	(4.218)	24.63	0.700	69.35
Mphasis Infrastructure Services Inc.	(1.192)	(1,090.48)	(0.614)	(64.47)	0.151	(0.88)	(0.660)	(65.35)
Mphasis UK Limited	11.432	10,462.28	(0.231)	(24.29)	(16.103)	94.02	0.704	69.73
Mphasis Wyde Inc.	12.320	11,274.27	10.231	1,073.47	(0.204)	1.19	10.846	1,074.66
Mphasis Philippines Inc.	0.020	18.05	(0.006)	(0.60)	0.122	(0.71)	(0.013)	(1.31)
Wyde Corporation Inc.	(0.907)	(830.24)	(2.303)	(241.61)	0.051	(0.30)	(2.441)	(241.91)
Mphasis Wyde SASU	(0.734)	(671.60)	(0.005)	(0.52)	14.565	(85.04)	(0.863)	(85.56)
Wyde Solutions Canada Inc.	(0.164)	(149.95)	0.013	1.40	1.045	(6.10)	(0.047)	(4.70)
Digital Risk LLC.	1.118	1,023.27	4.781	501.61	106.608	(622.46)	(1.220)	(120.85)
Digital Risk Compliance Services LLC.	-	-	-	-	(58.986)	344.41	3.476	344.41
Digital Risk Mortgage Services LLC.	2.478	2,268.13	7.692	807.09	(0.923)	5.39	8.200	812.48
Digital Risk Analytics LLC.	-	-	-	-	(3.544)	20.69	0.209	20.69
Investor Services, LLC	0.696	636.74	0.798	83.77	(0.238)	1.39	0.859	85.16
Digital Risk Valuation Services LLC.	(1.202)	(1,100.08)	0.109	11.47	(0.182)	1.06	0.126	12.53
Total Foreign subsidiaries	**46.451**	**42,510.69**	**24.692**	**2,590.84**	**6.398**	**(37.35)**	**25.771**	**2,553.49**
Sub Total	**100.00**	**91,514.48**	**100.00**	**10,492.57**	**100.00**	**(583.88)**	**100.00**	**9,908.69**
Adjustment arising out of consolidation		(36,696.66)		(2,117.58)		286.74		(1,830.84)
Total		**54,817.82**		**8,374.99**		**(297.14)**		**8,077.85**

31 March 2017	**Consolidated net assets**		**Consolidated profit or loss**		**Consolidated OCI**		**Consolidated total Comprehensive Income**	
Name of the entity	**Percentage**	**₹ millions**	**Percentage**	**₹ millions**	**Percentage**	**₹ millions**	**Percentage**	**₹ millions**
Parent								
Mphasis Limited	47.552	46,953.26	57.926	6,250.10	223.730	453.77	60.985	6,703.87
Indian subsidiaries								
Msource (India) Private Limited	8.037	7,935.94	6.500	701.35	18.258	37.03	6.717	738.38
Mphasis Software and Services (India) Private Limited	1.563	1,543.47	1.270	136.98	-	-	1.246	136.98
Foreign subsidiaries								
Mphasis Corporation	5.978	5,902.65	5.782	623.82	(37.496)	(76.05)	4.983	547.77
Mphasis Deutschland GmbH	0.067	65.89	0.073	7.88	(2.470)	(5.01)	0.026	2.87
Mphasis Australia Pty Limited	0.507	501.05	0.919	99.15	(5.685)	(11.53)	0.797	87.62
Mphasis (Shanghai) Software & Services Company Limited	0.113	111.88	0.234	25.20	(4.225)	(8.57)	0.151	16.63
Mphasis Consulting Limited	0.551	543.73	0.119	12.80	(44.739)	(90.74)	(0.709)	(77.94)
Mphasis Ireland Limited	0.028	27.86	0.007	0.71	(0.907)	(1.84)	(0.010)	(1.13)
Mphasis Belgium BVBA	0.260	256.32	0.718	77.51	(7.549)	(15.31)	0.566	62.20
Mphasis Lanka Private Limited	-	-	-	-	-	-	-	-
Mphasis Poland s.p.z.o.o	(0.015)	(14.39)	0.075	8.09	0.646	1.31	0.086	9.40
Msource Mauritius Inc.	0.639	631.08	(0.009)	(0.95)	0.099	0.20	(0.007)	(0.75)
PT. Mphasis Indonesia	-	0.34	(0.013)	(1.43)	-	-	(0.013)	(1.43)
Mphasis Europe BV	11.794	11,645.70	(0.210)	(22.68)	(8.944)	(18.14)	(0.371)	(40.82)
Mphasis Pte Limited	0.353	348.66	0.931	100.45	(9.200)	(18.66)	0.744	81.79
Mphasis Infrastructure Services Inc.	(1.038)	(1,025.12)	(0.038)	(4.06)	9.501	19.27	0.138	15.21
Mphasis UK Limited	10.525	10,392.55	1.727	186.30	(52.155)	(105.78)	0.732	80.52
Mphasis Wyde Inc.	10.330	10,199.60	18.020	1,944.33	26.541	53.83	18.177	1,998.16
Mphasis Philippines Inc.	0.020	19.36	0.001	0.08	(1.090)	(2.21)	(0.019)	(2.13)
Wyde Corporation Inc.	(0.596)	(588.33)	(0.637)	(68.77)	4.837	9.81	(0.536)	(58.96)
Mphasis Wyde SASU	(0.594)	(586.04)	(2.611)	(281.71)	15.807	32.06	(2.271)	(249.65)
Wyde Solutions Canada Inc.	(0.147)	(145.25)	(0.207)	(22.30)	3.732	7.57	(0.134)	(14.73)
Digital Risk LLC.	4.303	4,248.89	(1.509)	(162.83)	(36.959)	(74.96)	(2.163)	(237.79)
Digital Risk Compliance Services LLC.	(2.126)	(2,099.58)	-	-	19.337	39.22	0.357	39.22
LLC.	2.790	2,755.24	8.843	954.12	(16.897)	(34.27)	8.368	919.85
Digital Risk Analytics LLC.	(0.326)	(321.91)	(0.137)	(14.80)	3.037	6.16	(0.079)	(8.64)
Investor Services, LLC	0.559	551.58	2.290	247.12	(7.341)	(14.89)	2.113	232.23
Digital Risk Valuation Services LLC.	(1.127)	(1,112.61)	(0.062)	(6.64)	10.132	20.55	0.127	13.91
Total Foreign subsidiaries	**42.848**	**42,309.15**	**34.306**	**3,701.39**	**(141.988)**	**(287.98)**	**31.052**	**3,413.41**
Sub Total	**100.00**	**98,741.82**	**100.00**	**10,789.82**	**100.00**	**202.82**	**100.00**	**10,992.64**
Adjustment arising out of consolidation		(37,217.76)		(2,874.06)		(353.69)		(3,227.75)
Total		**61,524.06**		**7,915.76**		**(150.87)**		**7,764.89**

40. 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'.
Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), India, Asia Pacific (APAC) and Europe, Middle East & Africa (EMEA).

Business Segments		**(₹ millions)**
	Year ended 31 March 2018	**Year ended 31 March 2017**
Segment revenue		
Banking and Capital Market	30,685.00	29,520.50
Insurance	8,096.16	8,893.30
Information Technology, Communication and Entertainment	9,277.76	6,032.35
Emerging Industries	15,716.42	15,527.64
Unallocated - Hedge	1,683.02	789.78
Total segment revenue	**65,458.36**	**60,763.57**
Segment result		
Banking and Capital Market	7,306.15	6,945.17
Insurance	1,916.40	2,058.27
Information Technology, Communication and Entertainment	1,859.16	1,922.95
Emerging Industries	4,800.33	4,939.89
Unallocated - Hedge	1,683.02	789.78
Total segment result	**17,565.06**	**16,656.06**
Interest income	278.78	516.58
Finance costs	(129.96)	(138.75)
Other income	1,342.18	1,869.48
Other unallocable expenditure	(7,649.54)	(7,759.59)
Exceptional item (net of tax) (refer note 33)	(130.78)	(151.68)
Profit before taxation	**11,275.74**	**10,992.10**
Income taxes	2,900.75	3,076.34
Profit after taxation	**8,374.99**	**7,915.76**

Revenue from two customers amounted to more than 10% of the total revenue amounting to ₹ 14,346.66 millions and ₹ 8,195.80 millions (31 March 2017: ₹ 14,108.22 millions and ₹ 6,789.88 millions).

	31 March 2018	**31 March 2017**
Segment assets		
Banking and Capital Market	9,064.06	9,169.58
Insurance	2,122.17	2,325.59
Information Technology, Communication and Entertainment	3,073.45	1,825.21
Emerging Industries	5,339.91	4,512.76
Total segment assets	**19,599.59**	**17,833.14**
Unallocated assets	50,253.78	55,337.75
Total assets	**69,853.37**	**73,170.89**
Segment liabilities		
Banking and Capital Market	4,230.24	3,800.98
Insurance	1,473.05	1,459.26
Information Technology, Communication and Entertainment	1,531.68	759.28
Emerging Industries	2,190.00	1,890.90
Total segment liabilities	**9,424.97**	**7,910.42**
Unallocated liabilities	5,610.58	3,736.41
Total liabilities	**15,035.55**	**11,646.83**
Capital employed		
Banking and Capital Market	4,833.82	5,368.60
Insurance	649.12	866.33
Information Technology, Communication and Entertainment	1,541.77	1,065.93
Emerging Industries	3,149.91	2,621.86
Unallocated	44,643.20	51,601.34
Total capital employed	**54,817.82**	**61,524.06**

		(₹ millions)
	Year ended 31 March 2018	**Year ended 31 March 2017**
Capital expenditure		
Banking and Capital Market	153.33	543.43
Insurance	40.46	163.71
Information Technology, Communication and Entertainment	46.36	111.05
Emerging Industries	78.54	285.85
Total capital expenditure	**318.69**	**1,104.04**

Geographic segments

	Year ended 31 March 2018	**Year ended 31 March 2017**
Region		
USA	50,842.07	46,731.91
India	4,087.10	3,956.53
APAC	2,448.13	3,227.58
EMEA	6,398.04	6,057.77
Unallocated - Hedge	1,683.02	789.78
Total geographical revenue	**65,458.36**	**60,763.57**

Revenues by geographic area are based on the geographical location of the client.

Non-current operating assets

	31 March 2018	**31 March 2017**
India	781.63	911.53
Outside India	18,081.18	18,310.61
Total non-current operating assets	**18,862.81**	**19,222.14**

Non current operating assets includes Property, Plant and Equipment, Capital work –in-progress, Goodwill, Other Intangible assets, and Intangible assets under development.

Reconciliations to amounts reflected in the financial statements.
Reconciliation of assets

	31 March 2018	**31 March 2017**
Segment assets	**19,599.59**	**17,833.14**
Goodwill (refer note 4)	17,014.72	16,977.88
Investments (refer note 7 and 12)	17,820.68	23,956.45
Cash and cash equivalents (refer note 13)	7,067.23	6,144.12
Income tax assets (refer note 25)	4,570.34	4,352.88
Deferred tax assets (refer note 25)	1,056.82	618.17
Non current bank balances	1.94	110.79
Interest receivable	79.27	59.86
Deposits with government authorities	45.74	49.17
Indirect tax recoverable	1,705.92	1,525.51
Derivatives	513.30	1,165.10
Capital advance	375.96	375.96
Others	1.86	1.86
Total assets	**69,853.37**	**73,170.89**

Reconciliation of liabilities

	31 March 2018	**31 March 2017**
Segment liabilities	**9,424.97**	**7,910.42**
Borrowings (refer note 23)	3,898.80	2,601.60
Income tax liabilities (refer note 25)	1,182.95	650.80
Deferred tax liabilities (refer note 25)	49.71	158.30
Statutory dues	312.82	275.34
Derivatives	149.15	0.33
Unpaid dividend	13.67	11.51
Others	3.48	38.53
Total liabilities	**15,035.55**	**11,646.83**

41. CAPITAL MANAGEMENT

The Group's objective is to maintain a strong capital base to ensure sustained growth in business. The Capital Management focusses to maintain an optimal structure that balances growth and maximizes shareholder value. **(₹ millions)**

	31 March 2018	31 March 2017
Total equity attributable to the share holders of the Group (A)	54,817.82	61,524.06
Loans and borrowings (B)	3,898.80	2,601.60
Total loans and borrowings as a percentage of capital (B / C)	**6.64%**	**4.06%**
Total capital (A+B=C)	**58,716.62**	**64,125.66**
Total equity as a percentage of total capital (A / C)	**93.36%**	**95.94%**

The Group is predominantly equity financed as evident from the capital structure table above. Further the Group has sufficient cash, cash equivalents, current investments and financial assets which are liquid to meet the debts.

42. EMPLOYEE BENEFITS

a. Gratuity

The Group has a defined benefit gratuity plan in India (funded). The Group's defined benefit gratuity plan is a final salary plan for India employees, which requires contributions to be made to a separately administered fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, it aims to have a portfolio mix of equity instruments, property and debt instruments. The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise. The following tables set out the status of the gratuity plan.

Disclosure as per Ind AS-19

	31 March 2018	31 March 2017
Change in projected benefit obligations		
Obligations at beginning of the year	1,070.01	947.76
Service cost	118.64	136.47
Interest cost	75.51	69.01
Benefits settled	(153.01)	(126.04)
Actuarial (gain) /loss (through OCI)	34.06	42.81
Obligations at end of the year	**1,145.21**	**1,070.01**
Change in plan assets		
Plan assets at beginning of the year, at fair value	226.48	131.75
Expected return on plan assets	23.85	11.49
Actuarial gain /(loss) (through OCI)	0.16	8.79
Contributions	327.67	200.49
Benefits settled	(153.01)	(126.04)
Administration charges	(3.31)	-
Plan assets at end of the year	**421.84**	**226.48**
Present value of defined benefit obligation at the end of the year	1,145.21	1,070.01
Fair value of plan assets at the end of the year	421.84	226.48
Net liability recognised in the balance sheet	**(723.37)**	**(843.53)**

	Year ended 31 March 2018	Year ended 31 March 2017
Expenses recognised in statement of profit and loss		
Service cost	118.64	136.47
Interest cost (net)	51.66	57.52
Net gratuity cost	**170.30**	**193.99**
Re-measurement gains / (losses) in OCI		
Actuarial (gain) / loss due to financial assumption changes	(96.25)	15.90
Actuarial (gain) / loss due to experience adjustments	130.31	26.91
Return on plan assets (greater) less than discount rate	(0.16)	(8.79)
Total expenses routed through OCI	**33.90**	**34.02**

		(₹ millions)
	Year ended 31 March 2018	**Year ended 31 March 2017**
Assumptions		
Interest rate	7.60%	6.80%
Discount factor	7.60%	6.80%
Expected rate of return on plan assets	7.60%	6.80%
Actual return on plan assets	7.75%	8.25%
Salary increase	5.00%	6.50%
Attrition rate	20% to 30%	20% to 30%
Retirement age	60 years	60 years
Projected benefit obligation at end	1,145.21	1,070.01
Projected benefit obligation at beginning	1,070.01	947.76
Accumulated benefit obligation at end	865.06	963.16
Vested benefit obligation at end	920.07	909.01
Five years payouts		
Year 1	206.65	190.55
Year 2	160.99	151.31
Year 3	123.71	119.45
Year 4	96.16	94.50
Year 5	74.27	74.60
6 to 10 years	189.32	195.65
Beyond 10 years	294.11	243.95
Contributions likely to be made for the next one year	200.00	300.00

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 March 2018	**31 March 2017**
Investments with insurer	100%	100%

Sensitivity analysis	**31 March 2018**		**31 March 2017**	
Effect of change in discount rate	1% increase	1% decrease	1% increase	1% decrease
Effect on the aggregate of service cost	(1.84)	1.99	(7.84)	8.62
Effect on the aggregate of interest cost	9.93	(9.93)	-	-
Effect on the deemed benefit obligation	(39.62)	42.93	(81.68)	109.23
Effect of change in salary	1% increase	1% decrease	1% increase	1% decrease
Effect on the aggregate of service cost	1.65	(1.56)	8.35	(7.57)
Effect on the aggregate of interest cost	-	-	-	-
Effect on the deemed benefit obligation	35.65	(33.70)	102.60	(62.59)

b. Provident Fund

The Group has carried out actuarial valuation as at 31 March 2018. The actuary has provided a valuation for provident fund liabilities and based on the assumption mentioned below, there is no shortfall as at 31 March 2018 and 31 March 2017.

The amount of plan assets disclosed below has been restricted to the extent of present value of benefit obligation at the year end.
The details of the fund and plan asset position are given below:

	31 March 2018	**31 March 2017**
Plan assets at the year end	7,352.08	6,579.19
Present value of benefit obligation at year end	7,352.08	6,579.19
Asset recognized in balance sheet	-	-

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach.

Government of India (GOI) bond yield	7.60%	6.80%
Remaining term of maturity (in years)	12	12
Expected guaranteed interest rate	9.25%	8.65%

The Group has contributed ₹ 454.05 millions during the year ended 31 March 2018 (31 March 2017: ₹ 433.03 millions).

43. FINANCIAL INSTRUMENTS

The carrying value of financial instruments by categories as of 31 March 2018 is as follows: **(₹ millions)**

Particulars	Fair value through profit and loss	Derivative instruments in Hedging relationship	Derivative instruments not in Hedging relationship	Amortized Cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	4,641.76	**4,641.76**
Bank balances other than cash and cash equivalents	-	-	-	2,425.47	**2,425.47**
Investments	16,565.51	-	-	1,255.17	**17,820.68**
Trade receivables	-	-	-	8,126.94	**8,126.94**
Loans	-	-	-	1,963.93	**1,963.93**
Forward cover	-	-	6.20	-	**6.20**
Cash flow hedges	-	513.30	-	-	**513.30**
Other financial assets	-	-	-	5,558.19	**5,558.19**
Total	**16,565.51**	**513.30**	**6.20**	**23,971.46**	**41,056.47**
Financial liabilities					
Borrowings	-	-	-	3,898.80	**3,898.80**
Trade payables	-	-	-	5,023.92	**5,023.92**
Forward cover	-	-	58.38	-	**58.38**
Cash flow hedges	-	121.67	-	-	**121.67**
Other financial liabilities	-	-	-	1,660.97	**1,660.97**
Total	**-**	**121.67**	**58.38**	**10,583.69**	**10,763.74**

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

Particulars	Fair value through profit and 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	-	-	-	1,817.59	**1,817.59**
Forward cover	-	-	180.22	-	**180.22**
Cash flow hedges	-	1,165.10	-	-	**1,165.10**
Other financial assets	-	-	-	4,743.58	**4,743.58**
Total	**22,701.28**	**1,165.10**	**180.22**	**20,270.49**	**44,317.09**
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**

Fair Value hierarchy:

Particulars	As at 31 March 2018				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	**16,565.51**	16,565.51	-	-	**22,701.28**	22,701.28	-	-
Derivative instruments								
Cash flow hedges *	**513.30**	-	513.30	-	**1,165.10**	-	1,165.10	-
Forward cover	**6.20**	-	6.20	-	**180.22**	-	180.22	-
Liabilities								
Derivative instruments								
Cash flow hedges *	**121.67**	-	121.67	-	**0.33**	-	0.33	-
Forward cover	**58.38**	-	58.38	-	**1.37**	-	1.37	-

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

44. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to the following risks:

- Credit risk
- Interest risk
- Liquidity risk
- Market risk

CREDIT RISK

Credit Risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and unbilled revenue) and from its financing activities including deposits with banks and financial institutions, investments, foreign exchange transactions and other financial instruments.

Trade receivables

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

The impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security.

Credit risk exposure

The Group's credit period generally ranges from 30 – 60 days. The particulars of outstandings are as below. **(₹ millions)**

Particulars	**31 March 2018**	**31 March 2017**
Trade receivables	8,126.94	6,310.03
Unbilled revenue	5,432.82	4,560.73
Total	**13,559.76**	**10,870.76**

The Group evaluates the concentration of risk with respect to trade receivables as low as they are spread across multiple geographies and multiple industries.

Financial instruments and deposits with banks

Credit risk is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investments in liquid mutual fund units and bonds issued by government. Counterparty credit limits are reviewed by the Group periodically and the limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group's borrowings are short term / working capital in nature and hence is not exposed to significant interest rate risk.

LIQUIDITY RISK

The Group's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Group believes that the cash and cash equivalents is sufficient to meet its current requirements. Accordingly no liquidity risk is perceived.

The break-up of cash and cash equivalents, deposits and investments is as below.

Particulars	**31 March 2018**	**31 March 2017**
Cash and cash equivalents	4,641.76	6,132.66
Bank balances other than cash and cash equivalents	2,425.47	11.46
Current investments	14,651.46	22,701.28
Total	**21,718.69**	**28,845.40**

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date. The amounts are based on contractual undiscounted payments.

Financial liabilities (31 March 2018)	**On demand**	**0-180 days**	**180 to 365 days**	**365 days and above**	**Total**
Trade payables	569.24	4,227.49	227.19	-	**5,023.92**
Borrowings	-	3,898.80	-	-	**3,898.80**
Other financial liabilities	39.00	1,682.68	81.19	38.15	**1,841.02**
Total financial liabilities	**608.24**	**9,808.97**	**308.38**	**38.15**	**10,763.74**
Financial liabilities (31 March 2017)					
Trade payables	626.82	3,150.96	100.44	-	**3,878.22**
Borrowings	-	2,601.60	-	-	**2,601.60**
Other financial liabilities	31.16	1,569.60	-	11.03	**1,611.79**
Total financial liabilities	**657.98**	**7,322.16**	**100.44**	**11.03**	**8,091.61**

MARKET RISK

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in United States Dollars ('USD'). Group also has exposures to Great Britain Pound ('GBP') and Euros ('EUR")). The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Group uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

Below is the summary of foreign currency exposure of Group's financial assets and liabilities. **(₹ millions)**

31 March 2018	**Currency**				
Financial assets	**USD**	**GBP**	**EUR**	**Others**	**Total**
Trade receivables	2,004.27	222.76	305.43	257.10	**2,789.56**
Cash and cash equivalents	961.28	-	-	24.53	**985.81**
Other financial assets	1,123.26	126.60	190.12	79.43	**1,519.41**
Total financial assets	**4,088.81**	**349.36**	**495.55**	**361.06**	**5,294.78**
Financial liabilities					**Total**
Trade payables	21.04	0.74	0.24	8.55	**30.57**
Borrowings	1,299.60	-	-	-	**1,299.60**
Other financial liabilities	7.50	-	-	-	**7.50**
Total financial liabilities	**1,328.14**	**0.74**	**0.24**	**8.55**	**1,337.67**
Net financial assets	**2,760.67**	**348.62**	**495.31**	**352.51**	**3,957.11**
31 March 2017					
Financial assets					**Total**
Trade receivables	1,530.49	149.83	186.82	169.04	**2,036.18**
Cash and cash equivalents	116.84	-	-	61.29	**178.13**
Other financial assets	1,481.91	127.18	153.91	107.66	**1,870.66**
Total financial assets	**3,129.24**	**277.01**	**340.73**	**337.99**	**4,084.97**
Financial liabilities					**Total**
Trade payables	20.70	-	0.14	39.69	**60.53**
Other financial liabilities	7.04	-	-	1.36	**8.40**
Total financial liabilities	**27.74**	**-**	**0.14**	**41.05**	**68.93**
Net financial assets	**3,101.50**	**277.01**	**340.59**	**296.94**	**4,016.04**

The Group holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counter party for these transactions are banks. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the market place.

Forward contracts outstanding against receivables are as below:

Currency	**31 March 2018**		**31 March 2017**	
Balance sheet hedges *	**Amount (millions)**	**Amount in (₹ millions)**	**Amount (millions)**	**Amount in (₹ millions)**
USD	60.40	3,924.79	74.06	4,802.86
GBP	3.32	306.09	6.89	557.71
CAD	2.63	133.24	2.16	104.98
AUD	2.17	109.23	6.77	335.48
EUR	6.51	525.73	3.61	250.01

* Includes hedges taken on transactions within the Group.

Forward contracts outstanding against payables are as below:

Currency	**31 March 2018**		**31 March 2017**	
	Amount (millions)	**Amount in ₹ (millions)**	**Amount (millions)**	**Amount in ₹ (millions)**
USD	20.00	1,299.60	-	-
SGD	-	-	0.46	21.16

The foreign exchange exposure of the Group has been hedged by forward contracts disclosed above.

Sensitivity analysis

Every 1% increase / decrease of the respective foreign currencies compared to functional currency of the Group would impact operating margins by 0.04% for the year ending 31 March 2018 and 0.13% for the year ending 31 March 2017.

45. FAIR VALUES

Financial instruments carried at amortised cost such as Cash and cash equivalents, Trade receivables, Loans and advances, other financial assets, Borrowings and Trade payables and other financial liabilities are considered to be same as their fair values, due to short term nature.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted Investments are based on price quotations at the reporting date.

- The Group holds derivative financial instruments such as foreign exchange forward to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

46. HEDGING ACTIVITIES AND DERIVATIVES

Derivatives not designated as hedging instruments

The Group uses foreign exchange forward contracts to manage exposure on some of its transactions. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to twelve months.

Cash flow hedges

Foreign currency risk

The Group has taken cash flow hedges on account of highly probable forecast transactions. These are measured at fair value through OCI.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates. Forward contracts outstanding against cash flow hedges are as below:

Currency	31 March 2018		31 March 2017	
Cash flow hedges	**Amount (millions)**	**Amount in (₹ millions)**	**Amount (millions)**	**Amount in (₹ millions)**
USD	508.24	33,025.44	229.93	14,910.96
GBP	21.52	1,985.40	15.65	1,266.12
CAD	6.28	317.84	4.97	241.50
AUD	11.53	580.35	7.26	359.93
EUR	18.50	1,494.12	7.81	541.11

Fair value of foreign currency forward contracts designated as hedging instruments are as follows: **(₹ millions)**

	31 March 2018	**31 March 2017**
Assets	513.30	1,165.10
Liabilities	149.15	0.33

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arise requiring recognition through profit or loss.

The cash flow hedges of the expected future sales during the year ended 31 March 2018 were assessed to be highly effective and a net unrealised loss of ₹ 800.62 millions, with a deferred tax asset of ₹ 275.85 millions relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges of the expected future sales during the year ended 31 March 2017 were assessed to be highly effective and an unrealised gain of ₹ 784.54 millions with a deferred tax liability of ₹ 271.51 millions was included in OCI in respect of these contracts.

47. As per Section 135 of the Companies Act, 2013, a Corporate Social Responsibility (‘CSR’) committee has been formed by the Group. The primary function of the Committee is to assist the Board of Directors in formulating a CSR Policy and review the implementation and progress of the same from time to time. The CSR Policy focuses on creating opportunities for the disadvantaged with emphasis on persons with disabilities and technology driven community development. Gross amount required to be spent by the Group during the year was ₹ 191.66 millions (31 March 2017: ₹ 156.38 millions). The expenses incurred towards CSR activities amounting to ₹ 131.28 millions (31 March 2017: ₹ 133.56 millions) has been charged to the statement of profit and loss and is disclosed under other expenses.

Amount spent during the year ended 31 March 2018 is as follows: **(₹ millions)**

Particulars	In cash	Yet to be paid in cash	Total
Construction / acquisition of any asset	Nil	Nil	Nil
On purposes other than above	131.28	Nil	131.28

Amount spent during the year ended 31 March 2017 is as follows:

Particulars	In cash	Yet to be paid in cash	Total
Construction / acquisition of any asset	Nil	Nil	Nil
On purposes other than above	133.56	Nil	133.56

48. Pursuant to the Share Purchase Agreement executed on 4 April 2016, Hewlett Packard Enterprise Company, the erstwhile ultimate holding company has transferred its entire stake in the Company to Marble II Pte. Limited, a company in Blackstone group, effective 1 September 2016. Further, Marble II Pte. Limited, has acquired 2,178 equity shares, from the Public Shareholders, under the Open Offer as per the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The shareholding of Marble II Pte. Limited, post the acquisition and Open Offer, is 127,108,444 equity shares representing 60.47% of the paid up equity share capital of the Company. Further to the above, the Group forms part of Blackstone group of companies.

49. During the previous year, 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 has accounted the same as exceptional item.

50. The Group paid an amount of USD 0.40 millions (₹ 17.53 millions) against a claim received from a client in respect of alleged identity theft pertaining to customer bank accounts involving the Group's employees and ex-employees. Liquid assets and properties worth USD 0.23 millions (₹ 10.06 millions) of the alleged offenders have been frozen by the authorities and legal action has been instituted against them. Under a separate deed of assignment, the client has assigned any amount recoverable from the aforesaid frozen assets of the alleged offenders to the Group. During the quarter ended 31 December 2005, the Group reached settlements for USD 0.18 millions (₹ 7.65 millions) with the insurance companies. The amount has since been received in cash.

During July 2007, the Group has received from the client, who was given this amount by the Court to be held in trust, an amount of ₹ 10.73 millions including interest from the aforesaid frozen assets. The said amount has been assigned by the client to the Group and has been kept in Fixed Deposit, until such time the Court in a final, non-appealable written order holds that the amounts may be appropriated by the Group or the client.

51. STANDARDS / PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

Ind AS 115- Revenue from Contract with Customers:

On 28 March 2018, the Ministry of Corporate Affairs notified Ind AS 115 Revenue from Contracts with Customers. The standard replaces Ind AS 11 Construction Contracts and Ind AS 18 Revenue.

The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Ind AS 115 introduces a 5-step approach to revenue recognition:

- Identify the contract(s) with a customer
- Identify the performance obligation in contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

Ind AS 115 establishes control-based revenue recognition model. An entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the performance obligation is transferred to the customer. Also, Ind AS 115 provides more guidance for deciding whether revenue is recognised at a point in time or over time.

Transitional options under Ind AS 115:

- Retrospectively to each prior period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to some practical expedients mentioned in Ind AS 115
- Retrospectively with the cumulative effect of initial application recognised at the date of initial application

The standard is effective for annual periods beginning on or after 1 April 2018. The Group is currently evaluating the requirements and impact of Ind AS 115 on its financial statements.

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from 1 April 2018. The Group is evaluating the impact of this amendment on its financial statements.

As per our report of even date.

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

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
10 May 2018

For and on behalf of the Board of Directors

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President &
Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
10 May 2018