Audited Condensed Consolidated Interim Financial Statements
for the quarter ended 30 June 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Mphasis Limited

Opinion

We have audited the accompanying condensed consolidated interim financial statements of Mphasis Limited (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the condensed consolidated interim balance sheet as at 30 June 2018, the condensed consolidated interim statement of profit and loss (including other comprehensive income), condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the quarter then ended, and notes to the condensed consolidated interim financial statements, including a summary of significant accounting policies (hereinafter referred to as "the condensed consolidated interim financial statements") and other explanatory information as required by Indian Accounting Standard (Ind AS) 34 "Interim Financial Reporting" and other accounting principles generally accepted in India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid condensed consolidated interim financial statements give a true and fair view in conformity with Ind AS 34 and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 30 June 2018, of the consolidated profit and other comprehensive income, consolidated changes in equity and its consolidated cash flows for the quarter then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ("Act"). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Condensed Consolidated Interim Financial Statements

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group in accordance with Ind AS 34 prescribed under section 133 of the Act and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the condensed consolidated interim 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 condensed consolidated interim financial statements by the Directors of the Holding Company, as aforesaid.

Responsibilities of Management and Those Charged with Governance for the Condensed Consolidated Interim Financial Statements (continued)

In preparing the condensed consolidated interim financial statements, the respective management and Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the condensed consolidated interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed consolidated interim financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed consolidated interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the condensed consolidated interim financial statements, including the disclosures, and whether the condensed consolidated interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the condensed consolidated interim financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

We communicate with those charged with governance of the Holding Company, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

Corresponding figures for the quarter ended 30 June 2017 and year ended 31 March 2018 were audited by another auditor who expressed an unqualified opinion on the condensed consolidated interim financial statements for the three months ended 30 June 2017, dated 26 July 2017 and an unqualified opinion on the annual consolidated financial statements for the year ended 31 March 2018, dated 10 May 2018.

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

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

Amit Somani

Bengaluru

Partner

7 August 2018

Membership No. 060154

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET **(₹ millions)**

	As at 30 June 2018	As at 31 March 2018
ASSETS		
Non-current assets		
Property, Plant and Equipment	929.36	874.66
Capital work-in-progress	153.74	19.15
Goodwill	17,978.71	17,014.72
Intangible assets	939.09	950.88
Intangible assets under development	5.78	3.40
Financial assets		
Investments	3,007.49	3,169.22
Trade receivables	10.60	10.60
Loans	1,193.68	1,139.84
Other financial assets	156.34	77.02
Deferred tax assets (net)	1,491.68	1,056.82
Income tax assets (net)	4,715.33	4,570.34
Other non-current assets	719.28	1,506.51
Total non-current assets	**31,301.08**	**30,393.16**
Current assets		
Financial assets		
Investments	19,716.08	14,651.46
Trade receivables	7,762.66	8,116.34
Cash and cash equivalents	2,205.97	4,641.76
Bank balances other than cash and cash equivalents	2,296.69	2,425.47
Loans	775.15	824.09
Unbilled receivables (previous year: unbilled revenue)	6,209.48	5,432.82
Other financial assets	191.97	567.85
Other current assets	3,429.95	2,800.42
Total current assets	**42,587.95**	**39,460.21**
TOTAL ASSETS	**73,889.03**	**69,853.37**
EQUITY AND LIABILITIES		
Equity		
Share capital	1,933.19	1,932.67
Other equity	55,431.08	52,885.15
Total equity	**57,364.27**	**54,817.82**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		(₹ millions)
	As at 30 June 2018	**As at 31 March 2018**
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Other financial liabilities	517.91	38.15
Employee benefit obligations	743.91	523.37
Provisions	31.50	50.00
Deferred tax liabilities (net)	32.19	49.71
Income tax liabilities (net)	329.25	311.00
Other non-current liabilities	43.66	43.62
Total non-current liabilities	**1,698.42**	**1,015.85**
Current liabilities		
Financial liabilities		
Borrowings	1,974.35	3,898.80
Trade payables	5,737.09	5,023.92
Other financial liabilities	3,457.89	1,802.87
Employee benefit obligations	597.52	730.63
Provisions	198.57	245.80
Income tax liabilities (net)	1,236.47	871.95
Other current liabilities	1,624.45	1,445.73
Total current liabilities	**14,826.34**	**14,019.70**
TOTAL EQUITY AND LIABILITIES	**73,889.03**	**69,853.37**

Explanatory notes annexed.
The explanatory notes form an integral part of these condensed consolidated interim financial statements.
As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number:
101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
7 August 2018

Bengaluru
7 August 2018

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

	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Income		
Revenue from operations	18,202.23	15,359.70
Other income	452.74	469.06
Total income (I)	**18,654.97**	**15,828.76**
Expenses		
Employee benefits expense	10,373.86	9,137.19
Finance costs	44.89	20.57
Depreciation and amortization expense	179.04	181.14
Other expenses	4,628.16	3,927.43
Total expenses (II)	**15,225.95**	**13,266.33**
Profit before tax (III) [(I)-(II)]	**3,429.02**	**2,562.43**
Tax expenses		
Current tax	712.43	727.19
Deferred tax	133.49	(36.69)
Total tax expenses	**845.92**	**690.50**
Profit for the period (A)	**2,583.10**	**1,871.93**
Other comprehensive income / (losses) ('OCI')		
Items to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of financial statements of foreign operations	966.48	(128.60)
Net change in fair value of derivatives designated as cash flow hedges	(1,682.40)	(208.52)
Income tax effect on the above	587.90	72.17
Items not to be reclassified to profit or loss in subsequent periods		
Re-measurement gains / (losses) on defined employee benefit plans	21.07	(9.37)
Income tax effect on the above	(7.41)	3.24
Total OCI for the period, net of tax (B)	**(114.36)**	**(271.08)**
Total comprehensive income for the period (A+B)	**2,468.74**	**1,600.85**

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

	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Profit for the period attributable to:		
Equity owners of the Company	2,583.10	1,871.93
Non-controlling interests	-	-
	2,583.10	**1,871.93**
Total comprehensive income for the period attributable to:		
Equity owners of the Company	2,468.74	1,600.85
Non-controlling interests	-	-
	2,468.74	**1,600.85**
Earnings per equity share (par value ₹ 10 per share)		
Basic (₹)	13.36	9.09
Diluted (₹)	13.23	9.08
Weighted average number of shares – Basic	193,278,524	205,836,643
Weighted average number of shares – Diluted	195,192,569	206,148,987

Explanatory notes annexed.
The explanatory notes form an integral part of these condensed consolidated interim financial statements.
As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number:
101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
7 August 2018

Bengaluru
7 August 2018

CONDENSED CONSOLIDATED INTERIM 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 2018	193.26	1,932.67
Issue of share capital	0.05	0.52
As at 30 June 2018	**193.31**	**1,933.19**
As at 1 April 2017	210.42	2,104.24
Issue of share capital	0.02	0.18
Equity shares extinguished on buy back (refer note 6)	(17.37)	(173.70)
As at 30 June 2017	**193.07**	**1,930.72**

b. Other equity

(₹ millions)

	Attributable to the equity owners of the Company										
	Reserves and surplus								**Items of OCI**		
	Securities Premium	**General reserve**	**Retained earnings**	**Capital reserve**	**Capital redemption reserve**	**Special Economic Zone re-investment reserve**	**Share based payments**	**Treasury shares**	**Hedging reserve**	**Foreign currency translation reserve**	**Total**
As at 1 April 2018	**95.18**	**761.26**	**46,667.96**	**361.39**	**178.45**	**-**	**318.23**	**-**	**236.90**	**4,265.78**	**52,885.15**
Profit for the period	-	-	2,583.10	-	-	-	-	-	-	-	**2,583.10**
Other Comprehensive Income	-	-	13.66	-	-	-	-	-	(1,094.50)	966.48	**(114.36)**
Transferred to Special Economic Zone re-investment reserve	-	-	(294.86)	-	-	294.86	-	-	-	-	**-**
Share based expenses	-	-	-	-	-	-	61.29	-	-	-	**61.29**
Issue of shares on exercise of stock options	27.01	-	-	-	-	-	(11.11)	-	-	-	**15.90**
As at 30 June 2018	**122.19**	**761.26**	**48,969.86**	**361.39**	**178.45**	**294.86**	**368.41**	**-**	**(857.60)**	**5,232.26**	**55,431.08**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(₹ millions)

	Attributable to the equity owners of the Company										
	Reserves and surplus								Items of OCI		
	Securities Premium	**General reserve**	**Retained earnings**	**Capital reserve**	**Capital redemption reserve**	**Special Economic Zone re-investment 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 period	-	-	1,871.93	-	-	-	-	-	-	-	**1,871.93**
Other Comprehensive Income	-	-	(6.13)	-	-	-	-	-	(136.35)	(128.60)	**(271.08)**
Buy back of equity shares (refer note 6)	(1,654.10)	(6,576.85)	(2,799.05)	-	173.70	-	-	-	-	-	**(10,856.30)**
Buy back expenses	-	-	(30.34)	-	-	-	-	-	-	-	**(30.34)**
Share based expenses	-	-	-	-	-	-	49.81		-	-	**49.81**
Issue of shares on exercise of stock options	6.65	-	-	-	-	-	(7.07)	0.45	-	-	**0.03**
As at 30 June 2017	**6.65**	**19.19**	**44,871.66**	**361.39**	**178.45**	**-**	**233.21**	**-**	**625.32**	**3,888.00**	**50,183.87**

Explanatory notes annexed.
The explanatory notes form an integral part of these condensed consolidated interim financial statements.
As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number:
101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
7 August 2018

Bengaluru
7 August 2018

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

	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Operating activities		
Profit before tax	**3,429.02**	**2,562.43**
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation and amortization expense	179.04	181.14
Utilization of the rent equalisation reserve	122.49	123.66
Profit on sale of Property, Plant and Equipment and Intangible assets	(3.50)	(3.67)
Net gain on investments carried at fair value through profit and loss	(296.26)	(360.29)
Amortized cost of deposits	(1.97)	(1.08)
Share based payment expenses	61.29	49.81
Finance costs	44.89	20.57
Interest income	(62.61)	(46.27)
Dividend income	-	(20.27)
Effect of exchange rate changes (gain) / loss	62.95	-
Operating profit before working capital changes	**3,535.34**	**2,506.03**
Working capital changes		
(Increase)/decrease in trade receivables and unbilled receivables	(32.85)	(1,121.12)
(Increase)/decrease in loans	22.12	(46.45)
(Increase)/decrease in other financial assets	(50.99)	154.63
(Increase)/decrease in other assets	56.77	(214.85)
Increase/(decrease) in trade payables	597.58	299.45
Increase/(decrease) in other financial liabilities	749.77	726.03
Increase/(decrease) in provisions and Employee defined benefit obligations	32.15	(349.57)
Increase/(decrease) in other liabilities	157.31	97.64
Total working capital changes	**1,531.86**	**(454.24)**
Income tax paid (net of refunds)	(501.05)	(359.21)
Net cash flow from operating activities (A)	**4,566.15**	**1,692.58**
Investing activities		
Purchase of Property, Plant and Equipment and Intangible assets	(191.23)	(120.09)
Proceeds from sale of Property, Plant and Equipment and Intangible assets	6.05	4.57
Purchase of investments	(19,070.50)	(18,083.00)
Sale of investments	14,463.87	26,654.25
Interest received	89.67	44.90
Dividends received	-	20.27
Re-investment of dividend	-	(20.27)
Investments in bank deposits	(225.03)	(1,000.00)
Redemption / maturity of bank deposits	210.64	-
Net cash flow from / (used in) investing activities (B)	**(4,716.53)**	**7,500.63**

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

	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Financing activities		
Proceeds from issue of shares	16.42	0.21
Payment towards buy back of shares	-	(11,030.00)
Buy back expenses paid	-	(12.98)
Repayment of borrowings	(5,462.86)	-
Availment of borrowings	3,332.33	-
Interest paid	(23.89)	(19.53)
Dividends paid (including tax on dividend)	(0.51)	(0.42)
Net cash flow used in financing activities (C)	**(2,138.51)**	**(11,062.72)**
Net decrease in cash and cash equivalents (A+B+C)	**(2,288.89)**	**(1,869.51)**
Effect of exchange rate changes	(146.90)	10.30
Cash and cash equivalents at the beginning of the period	4,641.76	6,132.66
Cash and cash equivalents at the end of the period	**2,205.97**	**4,273.45**
Components of cash and cash equivalents		
In current accounts	1,872.17	2,782.09
Deposits with original maturity of less than 3 months	320.60	1,480.21
Unclaimed dividend	13.16	11.09
Cash on hand	0.04	0.06
Total cash and cash equivalents	**2,205.97**	**4,273.45**

As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number:
101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
7 August 2018

Bengaluru
7 August 2018

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

The condensed consolidated interim financial statements comprise financial statements of Mphasis Limited, its subsidiaries and controlled ESOP trusts, collectively referred to as 'the Mphasis Group' or 'the Group' for the quarter ended 30 June 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 located in Bengaluru, India.

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

The condensed consolidated interim financial statements for the quarter ended 30 June 2018 are approved by the Board of Directors on 7 August 2018.

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

Subsidiaries	Country of incorporation	Parent	30 June 2018	31 March 2018
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	59.62	59.62
Mphasis Europe BV	The Netherlands	Mphasis Limited	40.38	40.38
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
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 Digital Risk group.

The principal activities of the above subsidiaries include providing Information Technology and Information Technology Enabled Services, except for Digital Risk group which renders risk, compliance and technology related services to customers in the mortgage industry.

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.

2 Statement of compliance

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) 34, Interim Financial Reporting, specified under Section 133 of the Companies Act, 2013 and rules thereunder.

3 Significant Accounting Policies

Basis of preparation

The condensed consolidated interim financial statements have been prepared on a historical cost convention and on an accrual basis of accounting, except for the following assets and liabilities which have been measured at fair value.

- Derivative financial instruments.
- Investments classified as Fair Value Through Profit or Loss (‘FVTPL’).
- Fair value of plan assets less present value of defined benefit obligations.

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

The Group has followed the same accounting policies in preparation of the condensed consolidated interim financial statements as those followed in preparation of the annual consolidated financial statements as at and for the year ended 31 March 2018 except in case of revenue recognition due to adoption of Ind AS 115. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated Ind AS financial statements and the related notes for the year ended 31 March 2018.

Revenue recognition

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

The Group derives its revenues primarily from rendering application development and maintenance services, infrastructure outsourcing services, call centre and business & knowledge process outsourcing operations, licensing arrangements and trading of third party hardware / software.

Effective 1 April 2018, the Group has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Ind AS 115 replaces Ind AS 18 Revenue, Ind AS 11 Construction Contracts and related interpretations. The Group has adopted Ind AS 115 using the cumulative effect method (without the practical expedient), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Under this transition method, the standard is applied retrospectively only to contracts that are not completed as at the date of initial application, and the comparative information is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. The adoption of the standard did not have any material impact on the financial statements of the Group.

Revenues from rendering application development and maintenance services comprise income from time-and-material and fixed price contracts. Revenues from call centre and business & knowledge process outsourcing operations arise from both time-based and unit-priced contracts. Revenues from infrastructure outsourcing services arise from time based, unit-priced and fixed price contracts.

Revenue from time and material, unit-priced contracts is recognized on an output basis, measured by units delivered, efforts expended etc.

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.

Revenue from fixed price maintenance and support services contracts where the Group is standing ready to provide services is recognized based on time elapsed mode and revenue is straight-lined over the period of performance and revenue related to fixed capacity contracts is recognised based on efforts expended mode.

Revenue from license transactions is recognised upfront at the point in time when the license is delivered to the customer, simultaneously with the transfer of control.

Revenue from bundled contracts is recognized separately for each performance obligation based on their stand-alone selling price.

In cases where implementation and / or customisation services rendered significantly modifies or customises the license, these services and license are accounted for as a single performance obligation and revenue is recognised over time 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.

Revenue from the sale of distinct third-party hardware is recognised at the point in time when control is transferred to the customer.

The solutions offered by the Group may include supply of third-party equipment or software. In such cases, revenue for supply of such third-party goods are recorded at gross or net basis depending on whether the Group is acting as the principal or as an agent of the customer. The Group recognises revenue in the gross amount of consideration when it is acting as a principal and at net amount of consideration when it is acting as an agent.

Revenue from sale of services is measured based on the transaction price, which is the consideration, adjusted for discounts and pricing incentives, if any, as specified in the contract with the customer. 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.

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

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Other contract assets are classified as other assets. Unearned and deferred revenue (“contract liability”) is recognised when there are billings in excess of revenues. Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Use of significant judgements in revenue recognition :

- The Group’s contracts with customers could include promises to transfer multiple goods and services to a customer. The Group assesses the goods / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct good or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period.
- The Group uses judgement to determine an appropriate standalone selling price for a performance obligation. The Group allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service promised in the contract. Where standalone selling price is not observable, the Group uses the expected cost-plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such good or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Use of the percentage-of completion method in accounting for its fixed-price contracts 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. Judgement is also exercised in determining provisions for estimated losses, if any, on uncompleted contracts based on the expected contract cost estimates as at the reporting date.
- Contract fulfilment costs are generally expensed as incurred except for certain costs which meet the criteria for capitalisation. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

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.

The Group disaggregates revenue from contracts with customers by segment, geography (refer note 9), services rendered, delivery location and project type (refer note 10).

4 Financial instruments

The carrying value of financial instruments by categories as of 30 June 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	-	-	-	2,205.97	**2,205.97**
Bank balances other than cash and cash equivalents	-	-	-	2,296.69	**2,296.69**
Investments	19,716.08	-	-	3,007.49	**22,723.57**
Trade receivables	-	-	-	7,773.26	**7,773.26**
Loans	-	-	-	1,968.83	**1,968.83**
Derivative assets	-	47.21	55.50	-	**102.71**
Unbilled receivables	-	-	-	6,209.48	**6,209.48**
Other financial assets	-	-	-	245.60	**245.60**
Total	**19,716.08**	**47.21**	**55.50**	**23,707.32**	**43,526.11**
Financial liabilities					
Borrowings	-	-	-	1,974.35	**1,974.35**
Trade payables	-	-	-	5,737.09	**5,737.09**
Derivative liabilities	-	1,365.46	126.51	-	**1,491.97**
Other financial liabilities	-	-	-	2,483.83	**2,483.83**
Total	**-**	**1,365.46**	**126.51**	**10,195.27**	**11,687.24**

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**
Derivative assets	-	513.30	6.20	-	**519.50**
Unbilled revenue	-	-	-	5,432.82	**5,432.82**
Other financial assets	-	-	-	125.37	**125.37**
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**
Derivative liabilities	-	121.67	58.38	-	**180.05**
Other financial liabilities	-	-	-	1,660.97	**1,660.97**
Total	**-**	**121.67**	**58.38**	**10,583.69**	**10,763.74**

Fair value hierarchy:

Particulars	As at 30 June 2018				As at 31 March 2018			
	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	**19,716.08**	15,930.58	-	3,785.50	**16,565.51**	16,565.51	-	-
Derivative assets	**102.71**	-	102.71	-	**519.50**	-	519.50	-
Liabilities								
Derivative liabilities	**1,491.97**	-	1,491.97	-	**180.05**	-	180.05	-

5 During the previous year, upon assessment of future profitability, the Group provided an amount of ₹ 130.78 millions (net of tax ₹ 69.22 millions) towards expected losses in relation to a revenue contract with a customer and the same had been disclosed as an exceptional item. The closing balance as at 30 June 2018 is ₹ 138.23 millions. (31 March 2018: ₹ 200.00 millions).

6 During the quarter ended 30 June 2017, the Company had 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 consideration of ₹ 11,030.00 millions. The shares accepted by the Company under the buyback scheme were 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.

7 The Board of Directors, in its meeting held on 10 May 2018 had proposed the final dividend of ₹ 20 per share for the year ended 31 March 2018. The dividend proposed by the Board of Directors is approved by the shareholders' in the Annual General meeting held on 7 August 2018.

8 Contingent liabilities

The Group has received assessment orders for the financial years ended 31 March 2003, 31 March 2005, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014, wherein certain adjustments in respect of transfer pricing under Section 92CA of the Income Tax Act, 1961 have been made to the taxable income and demand orders for ₹ 3,449.84 millions (31 March 2018: ₹ 3,511.65 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 ₹ 7,015.41 millions (31 March 2018: ₹ 7,099.69 millions) net of bank guarantees aggregating to ₹ 6,662.76 millions (31 March 2018: ₹ 6,662.76 millions). The management, basis internal evaluation and legal opinion is of the view that these demands are not tenable.

Other outstanding bank guarantees as at 30 June 2018: ₹ 641.34 millions (31 March 2018: ₹ 607.78 millions) pertains to guarantees given by the banks on behalf of the Group to customers and other agencies.

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.

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 30 June 2018: ₹ 130.77 millions (31 March 2018: ₹ 274.54 millions).

9 Segment reporting

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

The Group has identified business segments as reportable segments. The business segments identified are: 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. 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'.

CODM does not review assets and liabilities at reportable segments level, hence segment disclosures relating to total assets and liabilities have not been provided.

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)**

	Quarter ended 30 June 2018	**Quarter ended 30 June 2017**
Segment revenue		
Banking and Capital Market	8,568.74	7,301.62
Insurance	2,051.94	2,009.16
Information Technology, Communication and Entertainment	3,139.39	1,855.31
Emerging Industries	4,458.19	3,710.20
Unallocated - Hedge	(16.03)	483.41
Total segment revenue	**18,202.23**	**15,359.70**
Segment result		
Banking and Capital Market	2,307.38	1,657.69
Insurance	511.17	439.46
Information Technology, Communication and Entertainment	809.46	331.65
Emerging Industries	1,486.76	1,137.21
Unallocated - Hedge	(16.03)	483.41
Total segment result	**5,098.74**	**4,049.42**
Interest income	84.29	66.32
Finance costs	(44.89)	(20.57)
Other income	368.45	402.74
Other unallocable expenditure	(2,077.57)	(1,935.48)
Profit before taxation	**3,429.02**	**2,562.43**
Income taxes	845.92	690.50
Profit after taxation	**2,583.10**	**1,871.93**

Geographic revenues

	Quarter ended 30 June 2018	**Quarter ended 30 June 2017**
USA	14,410.86	11,825.31
India	1,155.23	964.85
APAC	563.78	629.43
EMEA	2,088.39	1,456.70
Unallocated - Hedge	(16.03)	483.41
Total	**18,202.23**	**15,359.70**

10 Disaggregation of revenue

Services rendered **(₹ millions)**

	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Application development	5,007.31	3,667.97
Application maintenance & other services	5,493.71	5,296.48
Infrastructure management services	2,705.11	2,046.68
Knowledge processing services	2,074.25	1,789.36
Other services	2,937.88	2,075.80
Unallocated - Hedge	(16.03)	483.41
Total	**18,202.23**	**15,359.70**

Delivery location

	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Onsite	10,472.33	8,034.42
Offshore	7,745.93	6,841.87
Unallocated - Hedge	(16.03)	483.41
Total	**18,202.23**	**15,359.70**

Project type

	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Fixed price	4,835.46	3,173.12
Time and material	13,382.80	11,703.17
Unallocated - Hedge	(16.03)	483.41
Total	**18,202.23**	**15,359.70**

11 Events after the reporting period:

The Board of Directors, at its meeting held on 7 August 2018, have recommended for approval of the shareholders, a buyback of equity shares for a total consideration not exceeding ₹ 9,882.75 millions from the shareholders of the Company. The maximum buyback price per share recommended by the Board of Directors is ₹ 1,350 per share. The buyback, if approved by the shareholders, will be on a proportionate basis by way of a tender offer method in accordance with the provisions of the Companies Act, 2013 and the SEBI (Buy Back of Securities) Regulations.

12 The comparative financial information as at 31 March 2018 and for the quarter ended 30 June 2017 were audited by a firm, other than B S R & Co. LLP.

As per our report of even date attached.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number:
101248W/W-100022

for **and on behalf of the Board of Directors**

Amit Somani
Partner
Membership No. 060154

Nitin Rakesh
Chief Executive Officer

Narayanan Kumar
Director

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
7 August 2018

Bengaluru
7 August 2018