Audited Condensed Consolidated Interim Financial Statements
for the quarter ended 30 June 2019

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET		(₹ million)
	As at 30 June 2019	As at 31 March 2019
ASSETS		
Non-current assets		
Property, plant and equipment	1,290.99	1,201.94
Capital work-in-progress	29.30	15.77
Right-of-use assets	5,712.31	-
Goodwill	19,532.52	19,584.55
Other intangible assets	862.76	910.84
Intangible assets under development	13.41	13.41
Financial assets		
Investments	2,627.50	2,591.88
Trade receivables	-	10.60
Loans	1,238.69	708.98
Other financial assets	564.09	635.08
Deferred tax assets (net)	968.50	813.82
Income tax assets (net)	5,466.99	5,230.88
Other assets	921.08	962.35
Total non-current assets	**39,228.14**	**32,680.10**
Current assets		
Financial assets		
Investments	13,236.68	10,700.33
Trade receivables	9,541.15	9,553.68
Unbilled receivables	8,971.26	8,933.43
Loans	755.61	1,256.92
Cash and cash equivalents	2,378.65	3,519.78
Bank balances other than cash and cash equivalents	3,180.79	2,896.31
Other financial assets	848.89	659.30
Other assets	3,184.79	3,510.77
Total current assets	**42,097.82**	**41,030.52**
TOTAL ASSETS	**81,325.96**	**73,710.62**
EQUITY AND LIABILITIES		
Equity		
Share capital	1,863.20	1,862.26
Other equity	52,426.49	50,635.92
Total equity	**54,289.69**	**52,498.18**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET		(₹ million)
	As at 30 June 2019	As at 31 March 2019
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Borrowings and lease liabilities	5,494.83	-
Other financial liabilities	12.88	39.91
Employee benefit obligations	764.28	782.22
Deferred tax liabilities (net)	24.45	27.96
Income tax liabilities (net)	298.77	298.90
Other liabilities	-	126.12
Total non-current liabilities	**6,595.21**	**1,275.11**
Current liabilities		
Financial liabilities		
Borrowings and lease liabilities	5,868.79	5,425.92
Trade payables		
- outstanding dues to micro and small enterprises	5.48	4.87
- outstanding dues to creditors other than micro and small enterprises	7,258.25	7,845.56
Other financial liabilities	2,867.23	2,785.42
Employee benefit obligations	669.62	642.79
Provisions	62.47	83.23
Income tax liabilities (net)	1,858.91	1,365.71
Other liabilities	1,850.31	1,783.83
Total current liabilities	**20,441.06**	**19,937.33**
TOTAL EQUITY AND LIABILITIES	**81,325.96**	**73,710.62**

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
UDIN -

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Bengaluru

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
25 July 2019

Bengaluru
25 July 2019

Bengaluru

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS		(₹ million)
	Quarter ended 30 June 2019	**Quarter ended 30 June 2018**
Income		
Revenue from operations	20,625.59	18,202.23
Other income	540.97	452.74
Total income (I)	**21,166.56**	**18,654.97**
Expenses		
Employee benefits expense	11,541.96	10,373.86
Finance costs	198.73	44.89
Depreciation and amortization expense	549.08	179.04
Other expenses	5,341.28	4,628.16
Total expenses (II)	**17,631.05**	**15,225.95**
Profit before tax (III) [(I)-(II)]	**3,535.51**	**3,429.02**
Tax expenses		
Current tax	1,034.18	712.43
Deferred tax	(145.66)	133.49
Total tax expenses	**888.52**	**845.92**
Profit for the period (A)	**2,646.99**	**2,583.10**
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	(99.70)	966.48
Net change in fair value of derivatives designated as cash flow hedges	244.63	(1,682.40)
Income tax effect on the above	(86.39)	587.90
Items not to be reclassified to profit or loss in subsequent periods		
Re-measurement gains / (losses) on defined employee benefit plans	46.35	21.07
Income tax effect on the above	(16.20)	(7.41)
Total OCI for the period, net of tax (B)	**88.69**	**(114.36)**
Total comprehensive income for the period (A+B)	**2,735.68**	**2,468.74**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS		**(₹ million)**
	Quarter ended 30 June 2019	**Quarter ended 30 June 2018**
Profit for the period attributable to:		
Equity owners of the Company	2,646.99	2,583.10
Non-controlling interests	-	-
	2,646.99	**2,583.10**
Total comprehensive income for the period attributable to:		
Equity owners of the Company	2,735.68	2,468.74
Non-controlling interests	-	-
	2,735.68	**2,468.74**
Earnings per equity share (par value ₹ 10 per share)		
Basic (₹)	14.21	13.36
Diluted (₹)	14.09	13.23
Weighted average number of shares – Basic	186,265,095	193,278,524
Weighted average number of shares – Diluted	187,895,930	195,192,569

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
UDIN -

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Bengaluru

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
25 July 2019

Bengaluru
25 July 2019

Bengaluru

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

a. Equity share capital

Equity shares of ₹ 10 each issued, subscribed and fully paid	No. in million	₹ million
As at 1 April 2018	193.26	1,932.67
Issue of shares	0.05	0.52
As at 30 June 2018	**193.31**	**1,933.19**
As at 1 April 2019	186.22	1,862.26
Issue of shares	0.09	0.94
As at 30 June 2019	**186.31**	**1,863.20**

b. Other equity **(₹ million)**

	Attributable to the equity owners of the Company									
	Reserves and surplus							Items of OCI		
	Securities premium (1)	General reserve (2)	Retained earnings (3)	Capital reserve (4)	Capital redemption reserve ('CRR') (5)	Special Economic Zone re-investment reserve (6)	Share based payments (7)	Hedging reserve (8)	Foreign currency translation reserve (9)	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**
As at 1 April 2019	**69.26**	**788.73**	**41,950.46**	**361.39**	**251.66**	**994.18**	**492.98**	**416.85**	**5,310.41**	**50,635.92**
Transition impact of Ind AS 116 *	-	-	(1,022.41)	-	-	-	-	-	-	**(1,022.41)**
Restated balance as at 1 April 2019	**69.26**	**788.73**	**40,928.05**	**361.39**	**251.66**	**994.18**	**492.98**	**416.85**	**5,310.41**	**49,613.51**
Profit for the period	-	-	2,646.99	-	-	-	-	-	-	**2,646.99**
Other comprehensive income	-	-	30.15	-	-	-	-	158.24	(99.70)	**88.69**
Transferred to Special Economic Zone re-investment reserve	-	-	(579.32)	-	-	579.32	-	-	-	**-**
Transferred from Special Economic Zone re-investment reserve	-	-	121.92	-	-	(121.92)	-	-	-	**-**
Share based expenses	-	-	-	-	-	-	32.20	-	-	**32.20**
Issue of shares on exercise of stock options	58.31	0.33	-	-	-	-	(13.54)	-	-	**45.10**
As at 30 June 2019	**127.57**	**789.06**	**43,147.79**	**361.39**	**251.66**	**1,451.58**	**511.64**	**575.09**	**5,210.71**	**52,426.49**

* Refer note 2 of significant accounting policies.

Pursuant to the requirements of Division II to Schedule III, below is the nature and purpose of each reserve:

1. **Securities premium** - Securities premium reserve is used to record the premium received on issue of shares. The reserve is utilised in accordance with the provisions of section 52 of the Companies Act, 2013.

2. **General reserve** - General reserve represents appropriation of profits. This represents a free reserve and is available for dividend distributions. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to the statement of profit and loss.
3. **Retained earnings** - Retained earnings comprises of prior and current year's undistributed earnings after tax.
4. **Capital reserve** - Represents receipt of ₹ 265.16 million during the year ended 31 October 2012, upon termination of Mphasis Employee Welfare Trust, in accordance with the Declaration of Trust made for administration of share-based payment plan in relation to erstwhile employees of Mphasis Corporation. The net assets of the Trust were transferred to the Company upon completion of its objectives in accordance with the provisions of the said Declaration of Trust. The same will be utilized for the purposes as permitted by the Companies Act, 2013.
5. **Capital Redemption Reserve** - Capital Redemption Reserve is created to the extent of 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. The reserve is utilized in accordance with the provisions of section 69 of the Companies Act, 2013.
6. **Special Economic re-investment reserve** – The Special Economic Zone Re-Investment Reserve has been created out of the profits of eligible SEZ units in accordance with the provisions of section 10AA(1)(ii) of Income Tax Act,1961. The reserve is required to be utilized by the Company for acquiring new plant and machinery for the purpose of its business.
7. **Share based payments** - 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.
8. **Hedging reserve** – Cumulative changes in the fair value of financial instruments designated and effective as a hedge are recognized in this reserve through OCI (net of taxes). Amounts recognized in the hedging reserve are reclassified to the statement of profit and loss when the underlying transaction occurs.
9. **Foreign currency translation reserve** - Exchange difference relating to the translation of the results and net assets of the Company's foreign operations from their respective functional currencies to the Company's functional and presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

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

Amit Somani
Partner
Membership No. 060154
UDIN -

Bengaluru
25 July 2019

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

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Bengaluru

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
25 July 2019

Bengaluru

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (₹ million)

	Quarter ended 30 June 2019	Quarter ended 30 June 2018
Operating activities		
Profit before tax	**3,535.51**	**3,429.02**
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation and amortization expense	549.08	179.04
Utilization of the rent equalisation reserve	-	122.49
Profit on sale of property, plant and equipment and intangible assets	(2.95)	(3.50)
Net gain on investments carried at fair value through profit and loss	(264.22)	(296.26)
Imputed interest income on security deposits	49.52	(1.97)
Share based payment expenses	32.20	61.29
Provision for expected credit loss	45.79	-
Finance costs	198.73	44.89
Interest income	(278.33)	(62.61)
Unrealized exchange loss, net	26.32	62.95
Operating profit before working capital changes	**3,891.65**	**3,535.34**
Working capital changes		
(Increase) / decrease in trade receivables and unbilled receivables	(103.12)	(32.85)
(Increase) / decrease in loans	(78.29)	22.12
(Increase) / decrease in other financial assets	(1.20)	(50.99)
(Increase) / decrease in other assets	174.50	56.77
Increase / (decrease) in trade payables	(586.15)	597.58
Increase / (decrease) in other financial liabilities	159.56	749.77
Increase / (decrease) in provisions and employee benefit obligations	34.78	32.15
Increase / (decrease) in other liabilities	80.44	157.31
Total working capital changes	**(319.48)**	**1,531.86**
Income tax paid (net of refunds)	(577.71)	(501.05)
Net cash flows generated from operating activities (A)	**2,994.46**	**4,566.15**
Investing activities		
Purchase of property, plant and equipment and intangible assets	(212.38)	(191.23)
Proceeds from sale of property, plant and equipment and intangible assets	3.42	6.05
Purchase of investments	(28,250.10)	(19,070.50)
Sale of investments	25,942.35	14,463.87
Interest received	63.84	89.67
Investments in bank deposits	(284.71)	(225.03)
Redemption / maturity of bank deposits	-	210.64
Net cash flows used in investing activities (B)	**(2,737.58)**	**(4,716.53)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS		(₹ million)
	Quarter ended 30 June 2019	**Quarter ended 30 June 2018**
Financing activities		
Proceeds from issue of shares	46.04	16.42
Repayment of borrowings	(4,898.03)	(5,462.86)
Availment of borrowings	3,992.65	3,332.33
Interest paid	(65.78)	(23.89)
Repayment of lease liabilities	(439.71)	-
Dividends paid	(1.47)	(0.51)
Net cash flows used in financing activities (C)	**(1,366.30)**	**(2,138.51)**
Net decrease in cash and cash equivalents (A+B+C)	**(1,109.42)**	**(2,288.89)**
Effect of exchange rate changes	(31.71)	(146.90)
Cash and cash equivalents at the beginning of the period	3,519.78	4,641.76
Cash and cash equivalents at the end of the period	**2,378.65**	**2,205.97**
Components of cash and cash equivalents		
In current accounts	2,031.39	1,872.17
Deposits with original maturity of less than 3 months	328.01	320.60
Unclaimed dividend	19.25	13.16
Cash on hand	-	0.04
Total cash and cash equivalents	**2,378.65**	**2,205.97**

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
UDIN -

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Bengaluru

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
25 July 2019

Bengaluru
25 July 2019

Bengaluru

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The condensed consolidated interim financial statements comprise financial statements of Mphasis Limited ('the Company') and its subsidiaries (collectively referred to as 'the Mphasis Group' or 'the Group') for the quarter ended 30 June 2019. 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 condensed consolidated interim financial statements as at and for the quarter ended 30 June 2019 have been approved by the Board of Directors on 25 July 2019.

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

Subsidiaries	Country of incorporation	Parent	30 June 2019	31 March 2019
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 [refer note 1 (c)]	Indonesia	Mphasis Limited	100	100
Mphasis Europe BV	The Netherlands	Mphasis Corporation	59.62	59.62
		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	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
Stelligent Systems LLC [refer note 3]	USA	Mphasis Corporation	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.

c) On 16 April 2018, the shareholders of PT. Mphasis Indonesia resolved to dissolve and liquidate the entity.

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 read with Companies (Indian Accounting Standards) Rules, as amended.

2 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 2019, except in case of leases due to adoption of Ind AS 116 - Leases. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended 31 March 2019.

Leases

Policy applicable with effect from 1 April 2019.

Group as a lessee

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset:
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components.

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located.

The right-of-use assets is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate applicable to the entity within the Group. Generally, the Group uses its incremental borrowing rate as the discount rate. For leases with reasonably similar characteristics, the Group, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in statement of profit and loss.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of all assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor at the inception, it determines whether each lease is a finance lease or an operating lease.

The Group recognises lease payments received under operating leases as income on a straight- line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases, which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Group has adopted Ind AS 116, effective annual reporting period beginning from 1 April 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (1 April 2019). Accordingly, the Group has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on 1 April 2019.

Refer note 2 – Significant accounting policies – Leases in the Annual report of the Group for the year ended 31 March 2019, for the policy as per Ind AS 17.

Group as a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under Ind AS 116, the Group recognizes right of use assets and lease liabilities for most leases i.e. these leases are on balance sheet.

On transition, the Group has applied the following practical expedients:

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- Applied the exemption not to recognise right-of-use-assets and liabilities for leases with less than 12 months of lease term on the date of transition.
- Excluded the initial direct costs from the measurement of the right-of-use-asset at the date of transition.
- Grandfathered the assessment of which transactions are, or contain leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.
- Relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group has also applied recognition exemptions of short-term leases to all categories of underlying assets.

On transition, the Group recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at 1 April 2019. Accordingly, a right-of-use asset of ₹ 6,064.35 million and a corresponding lease liability of ₹ 7,152.45 million has been recognised. The cumulative effect on transition in retained earnings, net of taxes is ₹ 1,022.41 million (including the deferred tax of ₹ 115.41 million). The principal portion of the lease payments have been disclosed under cash flows from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flows from operating activities. Applicable incremental borrowing rates have been applied to lease liabilities recognised in the balance sheet at the date of initial application.

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at 31 March 2019 compared to the lease liability as accounted as at 1 April 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction on account of discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Group has chosen to apply the practical expedients as per the standard.

Group as a lessor

The Group is not required to make any adjustments on transition to Ind AS 116 for leases in which it acts as a lessor, except for a sub - lease. The Group accounted for its leases in accordance with Ind AS 116 from the date of initial application. The Group does not have any significant impact on account of sub-lease on the application of this standard.

The details of the right-of-use assets held by the Group is as follows: **(₹ million)**

	Balance as on transition date (1 April 2019)	Depreciation for the quarter	Carrying amount as at 30 June 2019
Buildings	5,425.88	(252.32)	5,173.56
Plant and equipment	574.92	(83.64)	491.28
Furniture and fixtures	27.41	(8.81)	18.60
Vehicles	17.79	(1.76)	16.03
Servers and networks	18.35	(5.51)	12.84
	6,064.35	**(352.04)**	**5,712.31**

The following table presents the various components of lease costs:

	Quarter ended 30 June 2019
Depreciation	352.04
Interest on lease liabilities	130.86
	482.90

3 BUSINESS COMBINATION

On 8 November 2018 (acquisition date), the Company through its wholly owned subsidiary, Mphasis Corporation, obtained control of Stelligent Systems LLC (Stelligent), a technology services company that provides DevOps automation on the Amazon Web Services cloud by acquiring 100% of its membership interests. The acquisition seeks to strengthen and expand the Group's cloud service offerings to its customers.

The acquisition was executed through a membership interest purchase agreement for a cash consideration of USD 24.34 million (₹ 1,698.45 million). The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill.

The Group had finalized purchase price allocation during the year ended 31 March 2019. The following table shows the allocation of purchase price:

(₹ million)

Description	Pre-acquisition carrying amount	Fair value adjustments	Purchase price allocated
Net assets	63.51	-	63.51
Business alliance partnership	-	53.52	53.52
Customer contracts	-	36.15	36.15
Non compete agreement	-	10.95	10.95
Others	-	9.07	9.07
Total	**63.51**	**109.69**	**173.20**
Goodwill			1,525.25
Total purchase price			**1,698.45**

Net assets acquired include ₹ 2.09 million of cash and cash equivalents and trade receivables valued at ₹ 113.87 million. Trade receivables are expected to be collected in full.

Goodwill of ₹ 1,525.25 million comprises value of acquired workforce and expected synergies arising from the acquisition. The goodwill is tax-deductible.

4 FINANCIAL INSTRUMENTS

The carrying value of financial instruments by categories as at 30 June 2019 is as follows:

Particulars	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	2,378.65	**2,378.65**
Bank balances other than cash and cash equivalents	-	-	-	3,180.79	**3,180.79**
Investments	13,236.68	-	-	2,627.50	**15,864.18**
Trade receivables	-	-	-	9,541.15	**9,541.15**
Loans	-	-	-	1,994.30	**1,994.30**
Derivative assets	-	1,041.81	45.89	-	**1,087.70**
Unbilled receivables	-	-	-	8,971.26	**8,971.26**
Other financial assets	-	-	-	325.28	**325.28**
Total	**13,236.68**	**1,041.81**	**45.89**	**29,018.93**	**43,343.31**
Financial liabilities					
Borrowings and lease liabilities	-	-	-	11,363.62	**11,363.62**
Trade payables	-	-	-	7,263.73	**7,263.73**
Derivative liabilities	-	160.21	48.66	-	**208.87**
Other financial liabilities	-	-	-	2,671.24	**2,671.24**
Total	**-**	**160.21**	**48.66**	**21,298.59**	**21,507.46**

The carrying value of financial instruments by categories as at 31 March 2019 is as follows:

Particulars	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	3,519.78	**3,519.78**
Bank balances other than cash and cash equivalents	-	-	-	2,896.31	**2,896.31**
Investments	10,700.33	-	-	2,591.88	**13,292.21**
Trade receivables	-	-	-	9,564.28	**9,564.28**
Loans	-	-	-	1,965.90	**1,965.90**
Derivative assets	-	940.08	119.26	-	**1,059.34**
Unbilled receivables	-	-	-	8,933.43	**8,933.43**
Other financial assets	-	-	-	235.04	**235.04**
Total	**10,700.33**	**940.08**	**119.26**	**29,706.62**	**41,466.29**
Financial liabilities					
Borrowings	-	-	-	5,425.92	**5,425.92**
Trade payables	-	-	-	7,850.43	**7,850.43**
Derivative liabilities	-	303.11	46.27	-	**349.38**
Other financial liabilities	-	-	-	2,475.95	**2,475.95**
Total	**-**	**303.11**	**46.27**	**15,752.30**	**16,101.68**

Fair value hierarchy

Particulars	As at 30 June 2019				As at 31 March 2019			
	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	**13,236.68**	12,128.82	1,107.86	-	**10,700.33**	7,626.31	3,074.02	-
Derivative assets	**1,087.70**	-	1,087.70	-	**1,059.34**	-	1,059.34	-
Liabilities								
Derivative liabilities	**208.87**	-	208.87	-	**349.38**	-	349.38	-

5 During the previous year, the Company has completed the buyback of 7,320,555 fully paid-up equity shares of face value ₹ 10 each (“equity shares”), representing 3.79% of the total paid-up equity share capital of the Company, at a price of ₹ 1,350 per equity share for an aggregate consideration of ₹ 9,882.75 million. In line with the requirements of the Companies Act, 2013, an amount of ₹ 176.59 million, ₹ 743.89 million and ₹ 8,962.27 million has been utilized from securities premium, general reserve and retained earnings respectively. The shares accepted under the buyback have been extinguished on 28 December 2018 and the paid-up equity share capital of the Company has been reduced to that extent. Subsequent to completion of the buyback, the Company had transferred ₹ 73.21 million to the Capital Redemption Reserve representing face value of equity shares bought back.

6 The Board of Directors, in its meeting held on 27 May 2019 had proposed the final dividend of ₹ 27 per share for the year ended 31 March 2019. The dividend proposed by the Board of Directors has been approved by the shareholders in the Annual General meeting held on 25 July 2019.

7 CONTINGENT LIABILITIES AND COMMITMENTS

a. The Group has disputes with income tax authorities in India and other jurisdictions where they operate. The ongoing disputes pertain to various assessment years from 2002-03 to 2016-17. The matters under dispute pertain to transfer pricing, tax treatment of certain expenses claimed as deductions, or allowances, characterization of fees for services paid and applicability of withholding taxes. Claims against the Group in relation to direct taxes, transfer pricing and indirect tax matters not acknowledged as debts amount to ₹ 7,365.49 million (31 March 2019: ₹ 10,648.04 million).

   In relation to other tax demands not included above, the Group has furnished bank guarantees amounting to ₹ 6,661.95 million (31 March 2019: ₹ 6,661.95 million). These demands are being contested by the Group based on management evaluation, advice of tax consultants and legal opinions obtained. No provision has been made in the books of accounts. The Group has filed appeals against such orders with the appropriate authorities.

   The Group has received notices and inquiries from income tax authorities related to the Group's operations in the jurisdictions it operates in. The Group has evaluated these notices, responded appropriately and believes there are no financial statement implications as on date.

b. Other outstanding bank guarantees as at 30 June 2019: ₹ 160.56 million (31 March 2019: ₹ 145.61 million) pertains to guarantees on behalf of the Group to regulatory authorities.

c. In addition to the above matters, the Group has other claims not acknowledged as debts amounting to ₹ 240.62 million (31 March 2019: ₹ 239.60 million).

d. There has been a Supreme Court judgement dated 28 February 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the Provident Fund Act, 1952. However, considering that there are numerous interpretative issues relating to this judgment, including the effective date of the application and based on expert advice obtained, the Group is unable to reasonably estimate the expected impact of the Supreme Court decision. The Group will continue to assess any further developments in this matter for the implications on financial statements, if any.

e. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 30 June 2019: ₹ 471.32 million (31 March 2019: ₹ 84.86 million)

8 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, Europe, Middle East & Africa, (‘EMEA’) and Rest of the world (‘ROW’).

(₹ million)

Business segments	**Quarter ended 30 June 2019**	**Quarter ended 30 June 2018**
Segment revenue		
Banking and Capital Market	9,206.27	8,568.74
Insurance	2,405.52	2,051.94
Information Technology, Communication and Entertainment	3,412.92	3,139.39
Emerging Industries	5,582.33	4,458.19
Unallocated - hedge	18.55	(16.03)
Total segment revenue	**20,625.59**	**18,202.23**
Segment result		
Banking and Capital Market	2,263.70	2,307.38
Insurance	614.74	511.17
Information Technology, Communication and Entertainment	689.71	809.46
Emerging Industries	1,757.05	1,486.76
Unallocated - hedge	18.55	(16.03)
Total segment result	**5,343.75**	**5,098.74**
Interest income	228.81	84.29
Finance costs	(198.73)	(44.89)
Other income	312.16	368.45
Other unallocable expenditure	(2,150.48)	(2,077.57)
Profit before taxation	**3,535.51**	**3,429.02**
Income taxes	888.52	845.92
Profit after taxation	**2,646.99**	**2,583.10**

Geographic revenues	**Quarter ended 30 June 2019**	**Quarter ended 30 June 2018**
USA	16,241.18	14,410.86
India	1,029.30	1,155.23
EMEA	2,201.43	2,088.39
ROW	1,135.13	563.78
Unallocated - hedge	18.55	(16.03)
Total	**20,625.59**	**18,202.23**

9 DISAGGREGATION OF REVENUE

Services rendered	**Quarter ended 30 June 2019**	**Quarter ended 30 June 2018**
Application development	6,833.02	5,007.31
Application maintenance	6,612.13	5,493.71
Infrastructure management services	2,520.66	2,705.11
Knowledge processing services	1,540.93	2,074.25
Service / Technical helpdesk	1,537.23	1,497.83
Transaction processing service	1,299.75	1,199.74
Customer service	233.91	221.39
License income	29.41	18.92
Unallocated - hedge	18.55	(16.03)
Total	**20,625.59**	**18,202.23**

Delivery location	**Quarter ended 30 June 2019**	**Quarter ended 30 June 2018**
Onsite	12,001.77	10,472.33
Offshore	8,605.27	7,745.93
Unallocated - hedge	18.55	(16.03)
Total	**20,625.59**	**18,202.23**

(₹ million)

Project type	**Quarter ended 30 June 2019**	**Quarter ended 30 June 2018**
Time and material	15,747.86	13,382.80
Fixed price	4,859.18	4,835.46
Unallocated - hedge	18.55	(16.03)
Total	**20,625.59**	**18,202.23**

Market	**Quarter ended 30 June 2019**	**Quarter ended 30 June 2018**
Direct international	14,086.08	12,643.08
DXC / HP business	5,858.39	4,986.09
Others	662.57	589.09
Unallocated - hedge	18.55	(16.03)
Total	**20,625.59**	**18,202.23**

10. Related party transactions

The Group did not have any other material related party transactions and outstanding balances as at and for the quarter ended 30 June 2019.

During the previous year, the Company paid an amount of ₹ 2,024.62 million to Marble II Pte Ltd., the holding company towards final dividend and ₹ 5,282.65 million towards buy-back of shares as approved by the shareholders in the Annual General Meeting held on 7 August 2018.

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
UDIN -

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Bengaluru

V. Suryanarayanan
Executive Vice President & Chief Financial Officer

Subramanian Narayan
Vice President & Company Secretary

Bengaluru
25 July 2019

Bengaluru
25 July 2019

Bengaluru