Audited consolidated financial statements
for the year ended 31 March 2021

	Page
Consolidated balance sheet	1
Consolidated statement of profit and loss	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6

CONSOLIDATED BALANCE SHEET

(₹ million)

	Notes	As at 31 March 2021	As at 31 March 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	2,117.82	1,699.74
Capital work-in-progress	3	31.27	73.80
Right-of-use assets	4	5,677.15	6,236.41
Goodwill	5	21,325.67	21,404.74
Other intangible assets	7	1,074.48	794.04
Intangible assets under development		-	93.22
Financial assets			
Investments	8	3,114.28	3,478.70
Loans	9	547.17	640.68
Other financial assets	10	928.75	164.71
Deferred tax assets (net)	23	1,260.72	2,157.46
Income tax assets (net)	23	5,496.40	4,882.58
Other assets	11	1,013.12	1,778.27
Total non-current assets		**42,586.83**	**43,404.35**
Current assets			
Financial assets			
Investments	12	15,345.90	9,777.80
Trade receivables	13	9,294.82	8,352.52
Unbilled receivables		9,210.05	9,343.02
Cash and cash equivalents	14	7,711.44	9,880.01
Bank balances other than cash and cash equivalents	15	2,910.98	1,377.02
Loans	9	1,468.93	1,409.11
Other financial assets	10	1,280.74	548.05
Other assets	11	4,179.79	3,443.03
Total current assets		**51,402.65**	**44,130.56**
TOTAL ASSETS		**93,989.48**	**87,534.91**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	1,870.49	1,865.43
Other equity	17	63,396.61	56,430.56
Total equity		**65,267.10**	**58,295.99**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Lease liabilities		5,370.38	5,844.40
Other financial liabilities	18	39.69	630.82
Employee benefit obligations	19	727.68	697.90
Deferred tax liabilities (net)	23	342.86	137.32
Income tax liabilities (net)	23	242.25	256.81
Other liabilities	20	562.53	-
Total non-current liabilities		**7,285.39**	**7,567.25**
Current liabilities			
Financial liabilities			
Borrowings	21	5,134.50	5,712.85
Lease liabilities		1,306.14	1,396.60
Trade payables			
- outstanding dues to micro and small enterprises		4.94	5.07
- outstanding dues to creditors other than micro and small enterprises		5,959.02	6,661.74
Other financial liabilities	18	3,241.49	4,162.71
Other liabilities	20	2,770.22	2,377.29
Employee benefit obligations	19	970.11	720.46
Provisions	22	496.99	68.30
Income tax liabilities (net)	23	1,553.58	566.65
Total current liabilities		**21,436.99**	**21,671.67**
TOTAL EQUITY AND LIABILITIES		**93,989.48**	**87,534.91**

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 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
New York

Narayanan Kumar
Director
Chennai

Manish Dugar
Chief Financial Officer
Bengaluru
13 May 2021

Subramanian Narayan
Senior Vice President & Company Secretary
Bengaluru

Bengaluru
13 May 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(₹ million)

	Notes	Year ended 31 March 2021	Year ended 31 March 2020
Income			
Revenue from operations	24	97,223.11	88,435.37
Other income	25	1,329.45	1,778.20
Total income (I)		**98,552.56**	**90,213.57**
Expenses			
Employee benefits expense	26	56,297.86	49,226.41
Finance costs	27	634.15	811.93
Depreciation and amortization expense	28	2,417.88	2,316.31
Other expenses	29	22,896.59	22,705.12
Total expenses (II)		**82,246.48**	**75,059.77**
Profit before tax (III) [(I)-(II)]		**16,306.08**	**15,153.80**
Tax expense	23		
Current tax		4,094.30	3,495.35
Deferred tax		43.73	(189.92)
Total tax expense		**4,138.03**	**3,305.43**
Profit for the year (A)		**12,168.05**	**11,848.37**
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		(415.14)	1,962.75
Net change in fair value of derivatives designated as cash flow hedges		2,209.78	(1,915.73)
Income tax effect on cash flow hedges		(771.73)	667.38
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement gains / (losses) on defined employee benefit plans		(90.98)	38.15
Income tax effect on the above		30.79	(13.49)
Total OCI for the year, net of tax (B)		**962.72**	**739.06**
Total comprehensive income for the year (A+B)		**13,130.77**	**12,587.43**
Profit for the year attributable to:			
Equity owners of the Company		12,168.05	11,848.37
Non-controlling interests		-	-
		12,168.05	**11,848.37**
Total comprehensive income for the year attributable to:			
Equity owners of the Company		13,130.77	12,587.43
Non-controlling interests		-	-
		13,130.77	**12,587.43**
Earnings per equity share (par value ₹ 10 per share)	30		
Basic (₹)		65.18	63.57
Diluted (₹)		64.43	63.09

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 attached.

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

Amit Somani
Partner
Membership No. 060154

Bengaluru
13 May 2021

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

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

Manish Dugar
Chief Financial Officer
Bengaluru
13 May 2021

Subramanian Narayan
Senior Vice President & Company Secretary
Bengaluru

CONSOLIDATED 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 2019	186.22	1,862.26
Issue of shares	0.32	3.17
As at 31 March 2020	**186.54**	**1,865.43**
As at 1 April 2020	186.54	1,865.43
Issue of shares	0.50	5.06
As at 31 March 2021	**187.04**	**1,870.49**

b. Other equity (₹ million)

	Attributable to the equity owners of the Company									
	Reserves and surplus							Items of OCI		
	a	b	c	d	e	f	g	h	i	
	Securities premium	General reserve	Retained earnings	Capital reserve	Capital redemption reserve	Special Economic Zone re-investment reserve	Share based payments reserve	Hedging reserve	Foreign currency translation reserve	Total
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 year	-	-	11,848.37	-	-	-	-	-	-	**11,848.37**
Other comprehensive income	-	-	24.66	-	-	-	-	(1,248.35)	1,962.75	**739.06**
Dividends *	-	-	(6,065.31)	-	-	-	-	-	-	**(6,065.31)**
Transfer to general reserve	-	1,205.06	(1,205.06)	-	-	-	-	-	-	-
Transferred to Special Economic Zone re-investment reserve	-	-	(1,390.63)	-	-	1,390.63	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	624.29	-	-	(624.29)	-	-	-	-
Share based expenses	-	-	-	-	-	-	146.70	-	-	**146.70**
Issue of shares on exercise of stock options	196.92	9.78	-	-	-	-	(58.47)	-	-	**148.23**
As at 31 March 2020	**266.18**	**2,003.57**	**44,764.37**	**361.39**	**251.66**	**1,760.52**	**581.21**	**(831.50)**	**7,273.16**	**56,430.56**
As at 1 April 2020	**266.18**	**2,003.57**	**44,764.37**	**361.39**	**251.66**	**1,760.52**	**581.21**	**(831.50)**	**7,273.16**	**56,430.56**
Profit for the year	-	-	12,168.05	-	-	-	-	-	-	**12,168.05**
Other comprehensive income	-	-	(60.19)	-	-	-	-	1,438.05	(415.14)	**962.72**
Dividends	-	-	(6,529.88)	-	-	-	-	-	-	**(6,529.88)**
Transferred to Special Economic Zone re-investment reserve	-	-	(598.93)	-	-	598.93	-	-	-	-
Transferred from Special Economic Zone re-investment reserve	-	-	519.50	-	-	(519.50)	-	-	-	-
Share based expenses	-	-	-	-	-	-	102.19	-	-	**102.19**
Allotment of bonus shares earlier held in abeyance [refer note 16 (a)]	-	-	(0.01)	-	-	-	-	-	-	**(0.01)**
Issue of shares on exercise of stock options	330.22	27.51	-	-	-	-	(94.75)	-	-	**262.98**
As at 31 March 2021	**596.40**	**2,031.08**	**50,262.91**	**361.39**	**251.66**	**1,839.95**	**588.65**	**606.55**	**6,858.02**	**63,396.61**

* Including dividend distribution tax ('DDT') thereon for 31 March 2020 amounting to ₹ 1,034.18 million.

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

a. **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.

b. **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.

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

d. **Capital reserve** - ₹ 265.16 million represents receipts 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. ₹ 94.00 million represents Capital reserve created on redemption of redeemable preference share during the year ended 31 March 2007.

e. **Capital Redemption Reserve ('CRR')** - 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 will be utilized in accordance with the provisions of section 69 of the Companies Act, 2013.

f. **Special Economic Zone 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.

g. **Share based payments reserve** - 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.

h. **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.

i. **Foreign currency translation reserve ('FCTR')** - Exchange differences 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 OCI and accumulated in the FCTR. When a foreign operation is disposed off, the relevant amount recognized in FCTR is transferred to the statement of profit or loss as part of the profit or loss on disposal.

Summary of significant accounting policies. (Note 2)
The accompanying notes are an integral part of the consolidated 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

Bengaluru
13 May 2021

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

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

Manish Dugar
Chief Financial Officer
Bengaluru
13 May 2021

Subramanian Narayan
Senior Vice President & Company Secretary
Bengaluru

CONSOLIDATED STATEMENT OF CASH FLOWS

(₹ million)

	Year ended 31 March 2021	Year ended 31 March 2020
Operating activities		
Profit before tax	**16,306.08**	**15,153.80**
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation and amortization expense	2,417.88	2,316.31
Profit on sale of property, plant and equipment and intangible assets	(4.31)	(16.33)
Net gain on investments carried at fair value through profit and loss	(839.28)	(933.38)
Share based payment expenses	102.19	146.70
Provision for expected credit loss	251.81	92.49
Finance costs	634.15	811.93
Interest income	(213.25)	(557.21)
Others	(106.41)	(106.42)
Unrealized exchange gain, net	(102.10)	(160.04)
Operating profit before changes in operating assets and liabilities	**18,446.76**	**16,747.85**
Changes in operating assets and liabilities		
Trade receivables and unbilled receivables	(820.64)	1,779.25
Loans	89.59	(209.43)
Other financial assets	139.43	(70.71)
Other assets	(310.54)	(832.49)
Trade payables	(924.81)	(1,442.35)
Other financial liabilities	(132.19)	678.09
Other liabilities	899.59	535.53
Provisions and employee benefit obligations	606.38	(15.47)
Total changes in operating assets and liabilities	**(453.19)**	**422.42**
Income tax paid (net of refunds)	(3,448.25)	(3,960.06)
Net cash flows generated from operating activities (A)	**14,545.32**	**13,210.21**
Investing activities		
Purchase of property, plant and equipment and intangible assets	(1,261.65)	(1,261.18)
Proceeds from sale of property, plant and equipment and intangible assets	9.76	18.08
Purchase of investments	(67,143.61)	(78,641.89)
Sale of investments	62,779.21	79,610.98
Interest received	196.67	211.98
Payment for business acquisition, net of cash acquired (₹ 151.32) (refer note 6)	(805.19)	-
Investments in bank deposits	(3,788.01)	(1,426.24)
Redemption / maturity of bank deposits	1,794.01	2,895.70
Net cash flows (used in) / generated from investing activities (B)	**(8,218.81)**	**1,407.43**
Financing activities		
Proceeds from issue of shares	268.03	151.40
Repayment of borrowings	(12,558.31)	(17,615.48)
Availment of borrowings	12,149.60	17,391.84
Interest paid	(619.65)	(779.89)
Repayment of lease liabilities	(1,327.59)	(1,329.78)
Dividends paid including DDT amounting to ₹ nil (31 March 2020: ₹ 1,034.18)	(6,526.78)	(6,065.25)
Net cash flows used in financing activities (C)	**(8,614.70)**	**(8,247.16)**
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(2,288.19)**	**6,370.48**
Effect of exchange rate changes	119.62	9.51
Cash and cash equivalents at the beginning of the year	9,880.01	3,500.02
Cash and cash equivalents at the end of the year (refer note 14)	**7,711.44**	**9,880.01**

Refer note 21 for supplementary information on cash flow movement

Summary of significant accounting policies. (Note 2)
The accompanying notes are an integral part of the consolidated 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

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Chief Executive Officer
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Narayanan Kumar
Director
Chennai

Manish Dugar
Chief Financial Officer
Bengaluru

Subramanian Narayan
Senior Vice President & Company Secretary
Bengaluru

Bengaluru
13 May 2021

Bengaluru
13 May 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated 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 year ended 31 March 2021. 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 Information Technology (IT) solutions provider specializing in providing cloud and cognitive services, applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach. Front2Back™ uses the exponential power of cloud and cognitive to provide hyper-personalized digital experience to clients and their end customers.

The principal activities of the below 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.

The consolidated financial statements for the year ended 31 March 2021 have been approved by the Company's Board of Directors on 13 May 2021.

List of subsidiaries with percentage holding

Subsidiaries	**Country of incorporation**	**Parent**	**% of holding 31 March 2021**	**% of holding 31 March 2020**
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	China	Mphasis Limited	100	100
Mphasis Consulting Limited	United Kingdom	Mphasis Limited	100	100
Mphasis Ireland Limited	Ireland	Mphasis Limited	100	100
Mphasis Belgium BV (formerly 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	USA	Mphasis Corporation	100	100
Datalytyx Limited **	United Kingdom	Mphasis Consulting Limited	100	-
Datalytyx MSS Limited **	United Kingdom	Datalytyx Limited	100	-
Dynamyx Limited **	United Kingdom	Datalytyx Limited	100	-

* Forms part of Digital Risk group.

** Acquired with effect from 19 November 2020 (refer note 6).

List of Trusts that are consolidated.

- Mphasis Employees 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 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 Companies (Indian Accounting Standards) Rules, as amended from time to time.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities have been classified as current and non-current as per the Group’s normal operating cycle of 12 months. Current Assets do not include elements which are not expected to be realised within 12 months and Current Liabilities do not include items which are due after 12 months, the period of 12 months being reckoned from the reporting date.

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.

The statement of cash flows have been prepared under the indirect method.

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Basis of consolidation

The Group determines the basis of control in line with the requirements of Ind AS 110 - Consolidated Financial Statements. 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 Group 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.

For the purposes of preparing the consolidated financial statements of the Group, the financial statements of the Company and entities controlled by the Group have been combined on a line-by-line basis and intra group balances and transactions including unrealised gain / loss from such transactions have been eliminated upon consolidation. Changes in the Company’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

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 the same reporting date.

Business combinations and goodwill

Policy applicable with effect from 1 April 2020

The Group accounts for its business combinations using acquisition method of accounting when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. In determining whether a particular set of activities and assets is a business, the Group assesses if the acquisition includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition related costs are recognized in the consolidated statement of profit and loss as incurred. The acquiree’s identifiable assets and 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, the Group re-assesses whether it has appropriately identified and measured all assets acquired and liabilities assumed, including contingent liabilities. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the bargain purchase gain is recognized in other comprehensive income and accumulated in equity as capital reserve.

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 (‘CGU’) that are expected to benefit from the synergies arising from the business combination.

Use of estimates, assumptions and judgements

The preparation of the consolidated financial statements in conformity with Ind AS requires 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. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management become aware of changes in circumstances surrounding the estimates. Revisions to accounting estimates are recognised in the year in which the estimates are revised.

Application of accounting policies that require critical accounting estimates involving judgments and the use of assumptions in the consolidated financial statements have been disclosed below:

- **Business combinations and intangible assets**

  In accounting for business combinations, judgment is required in identifying whether an identifiable intangible asset is to be recorded separately from goodwill. Estimating the acquisition date fair value of the identifiable assets acquired, useful life thereof and liabilities assumed involves management judgment. These measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. Changes in these judgments, estimates and assumptions can materially affect the results of operations. (refer note 6).

- **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 value in use calculation is based on a discounted cash flow (‘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 or the CGU being tested for impairment. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the long-term growth rates. These estimates are most relevant to goodwill and other intangibles recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 5.

- **Taxes**

  The Group’s two major tax jurisdictions are India, and the U.S. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates and reflects the uncertainty related to income taxes, if any. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile within the group. A tax assessment could involve complex issues, which can only be resolved over extended time periods (refer note 23).

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 recognised, based upon the likely timing and the level of future taxable profits.

- **Defined benefit plans**

  The cost of the defined benefit gratuity plan, compensated absences and the present value of the defined benefit obligation are determined based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. 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, future attrition rates and mortality rates. Due to the complexities involved in the valuation, the underlying assumptions 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 37).

  The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, 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 intervals in response to demographic changes. Future salary 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, the fair value is measured using appropriate 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.

- **Useful lives of property, plant and equipment**

  The Group reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

- **Revenue recognition**

  Refer the policy on revenue recognition for discussion on judgements and estimates on revenue.

- **Expected credit loss ('ECL') on trade and unbilled receivables**

  The impairment provisions for financial assets are based on evaluation of the risk of default over the expected life of the receivables and expected timing of collection. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history of collections, customer's credit-worthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

- **Leases**

  The Group evaluates if an arrangement qualifies to be a lease based on the requirements of the relevant standard. Identification of a lease requires significant management judgment. Computation of the lease liabilities and right-to-use assets requires management to estimate the lease term (including anticipated renewals), and the applicable discount rate. Management estimates the lease term based on past practices and reasonably estimated / anticipated future events. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

Impact of the Global Pandemic ('Covid-19')

The Group has taken into account the possible impacts of Covid-19 in preparation of the consolidated financial statements, including but not limited to its assessment of liquidity and going concern assumption, impairment triggers for non-current assets including goodwill, recoverable values of its financial and non-financial assets, impact on revenues and on cost budgets in respect of fixed price contracts, impact on measurement of deferred tax assets / liabilities, impact on leases and impact on effectiveness of its hedging relationships. The Group has considered available sources of information, both internal and external, upto the date of approval of the consolidated financial statements and expects to recover the carrying amount of its assets. The impact of Covid-19 on the consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

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 and licensing arrangements.

- Revenue from rendering application development and maintenance services comprise income from time-and-material and fixed price contracts. Revenues from call center and business & knowledge process outsourcing operations arise from time-based, unit-priced and fixed 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.
- Fixed Bid monthly milestone-based recognition – The practical expedient of revenue equals invoicing is applied as the amounts invoiced directly correspond with the value transferred to the customer.
- 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.
- Revenue from license transactions where customers are given a right to use the intellectual property are 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 allocated transaction 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) / Goods and Services 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 revenues.

The Group recognises an onerous contract provision when it is probable that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Unearned and deferred revenue ("contract liability") is recognised when there are billings in excess of revenues. The billing schedules agreed with customers could include periodic performance-based payments and/or milestone-based progress payments. Invoices are payable within contractually agreed credit period. Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Contract modifications: Services added that are not distinct are accounted for on a cumulative catch-up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

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. The Group has applied the practical expedient provided by Ind AS 115, whereby the Group does not adjust the transaction price for the effects of the time value of money where the period between when the control on goods and services transferred to the customer and when payment thereof is due, is one year or less. 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 allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- The Group 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 standalone 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 a 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.
- Contract acquisition costs are generally expensed as incurred except for certain costs which meet the criteria for capitalization, in particular if such costs are expected to be recovered.

Interest income is recognized as it accrues in the consolidated 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 34), services rendered, delivery location and project type (refer note 35).

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. Cost includes expenditure directly attributable to the acquisition. 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. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in the consolidated 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.

For internally generated intangible assets, expenses incurred during the research phase are expensed as incurred. Development and product enhancements are capitalized as an intangible asset when the following criteria are met:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Intention to complete and its ability and intention to use or sell the asset
- Ability to generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the assets. Leasehold land is amortised over the lease term. Freehold land is not depreciated.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are disclosed under 'other assets'. The cost of property, plant and equipment not ready to use before the balance sheet date is disclosed under 'Capital work in progress'.

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. Gains or losses arising from de-recognition of property, plant and equipment and intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of property, plant and equipment and are recognized in the consolidated statement of profit and loss when the property, plant and equipment is derecognized.

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 management. Intangible assets are amortised on a straight-line basis over the estimated useful economic life. Depreciation / amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate. The useful lives estimated by management are given below:

(In years)

Asset	Useful life as per Companies Act, 2013	Useful life estimated by management
Computer equipment	3	3
Furniture and fixtures	10	5
Leasehold improvements	Not applicable	10 or remaining lease term, whichever is less
Office equipment	5	5
Plant and equipment	15	4 to 7
Server and networks	6	6
Vehicles	8	5
Customer contracts / Non-compete agreement / Business alliance partnership	As per Ind AS 38	2 to 5
Software	As per Ind AS 38	3 to 7

In respect of plant and equipment, furniture and fixtures and vehicles, 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.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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

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 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 asset 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 consolidated 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 consolidated 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 had adopted Ind AS 116, effective annual reporting period beginning from 1 April 2019 using the modified retrospective method, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (1 April 2019). Accordingly, the Group had 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.

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.
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.

Group as a lessor

The Group did not 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 did not have any significant impact on account of sub-lease on the application of this standard.

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

a. Financial assets (other than at fair value)

For financial assets measured at amortised cost, debt instruments at fair value through other comprehensive income, trade receivables and other financial assets, the Group assesses at each date of balance sheet whether the asset is impaired. Ind AS 109 ('Financial instruments') requires expected credit losses to be measured through a loss allowance. Expected credit loss is the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted using the effective interest rate. The Group recognises lifetime expected losses for all contract assets and / or all trade receivables. 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 lifetime 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.

b. 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 consolidated statement of profit and loss.

- **Goodwill**

  Goodwill is tested for impairment on an annual basis and more often, if there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units (CGU) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. 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.
  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. Any impairment loss on goodwill is recognized in the consolidated statement of profit or loss. Impairment losses relating to goodwill are not reversed in future periods.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of the following:

- financial assets, which include cash and cash equivalents, deposits with banks, trade receivables, unbilled receivables, investments in equity and debt securities and eligible current and non-current assets;
- financial liabilities, which include long and short-term loans and borrowings, finance lease liabilities, bank overdrafts, trade payables, eligible current and non-current liabilities.

Non-derivative financial instruments 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.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

a. Cash and cash equivalents

The Group's cash and cash equivalents consist of cash on hand and in banks and demand deposits with banks with an original maturity of less than or up to three months. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding overdrafts that are repayable on demand and are considered part of the Group's cash management system.

b. Financial assets at amortised cost

Financial assets (except for debt instruments that are designated at fair value through Profit or Loss (FVTPL) on initial recognition) 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.

c. Financial assets at fair value through other comprehensive income

Financial assets (except for debt instruments that are designated at fair value through Profit or Loss (FVTPL) on initial recognition) are measured at fair value through other comprehensive income ('FVTOCI') 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. Interest income is recognized in the consolidated statement of profit or loss for FVTOCI debt instruments. Other changes in fair value of FVTOCI financial assets are recognized in other comprehensive income. When the investment is disposed of, the cumulative gain or loss previously accumulated in reserves is transferred to the consolidated statement of profit and loss.

d. Financial assets at fair value through profit or loss

Financial assets are measured at FVTPL unless it is measured at amortised cost or at FVTOCI 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 consolidated statement of profit and loss. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the consolidated statement of profit and loss. The gain or loss on disposal is recognized in the consolidated statement of profit and loss.

Interest income is recognized in the consolidated statement of profit and loss for FVTPL debt instruments. Dividend on financial assets at FVTPL is recognized when the Group's right to receive dividend is established.

e. Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest rate method. 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 is exposed to foreign currency fluctuations on foreign currency assets and liabilities. The Group holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

Derivatives are recognized and measured at fair value. Attributable transaction costs are recognized in consolidated statement of profit and loss as expenses.

Subsequent to initial recognition, derivative financial instruments are measured as described below.

a. Cash flow hedges

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 consolidated 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 consolidated 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 consolidated statement of profit and loss.

b. Others

Changes in fair value of foreign currency derivative instruments not designated as cash flow hedges are recognized in the consolidated statement of profit and loss and reported within foreign exchange gains, net.

Changes in fair value and gains/(losses) on settlement of foreign currency derivative instruments relating to borrowings, which have not been designated as hedges are recorded as foreign exchange gains/ (losses).

c. De-recognition of financial instruments

Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Group has not retained control over the financial asset. 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. Trade receivables which are subject to non-recourse factoring arrangements are de-recognized in accordance with Ind AS 109 and are offset in accordance with Ind AS 32.

d. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amounts are presented in the consolidated balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

e. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (refer note 40).

When a quote is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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.

f. 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 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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.

Employee benefits

a. Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages etc. and the expected cost of ex-gratia are recognised in the period in which the employee renders the related service. A liability is recognised for the amount expected to be paid when there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Compensated absences

The Group has a policy on compensated absences that is both accumulating and non-accumulating in nature. Non-accumulating compensated absences are measured on an undiscounted basis and are recognized in the period in which absences occur. The cost of short-term compensated absences are provided for based on estimates. The expected cost of accumulating compensated absences is determined by actuarial valuation at each balance sheet date measured based on the amounts expected to be paid / availed as a result of the unused entitlement that has accumulated at the balance sheet date. The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefits for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the consolidated statement of profit and loss. The Group presents the entire obligation for compensated absences as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement beyond 12 months from the reporting date.

c. Defined contribution plans

Employee benefits are accrued in the period in which the associated services are rendered by employees of the Group. Contributions to defined contribution schemes such as Provident Fund, Employee State Insurance Scheme, 401(k) and other social security schemes are charged to the consolidated statement of profit and loss on an accrual basis.

d. Provident fund

Mphasis Limited has established a Provident Fund Trust to which contributions towards provident fund are made on a monthly basis. The Provident Fund Trust guarantees a specified rate of return on such contributions on a periodical basis. The contributions to the trust managed by the Company is accounted for as a defined benefit plan as the Company is liable for any shortfall in the fund assets based on the Government specified minimum rates of return.

e. Gratuity

For its Indian entities, the Group has a defined benefit gratuity plan that provides a lump-sum payment to vested employees at retirement, death, incapacitation, or termination of employment in accordance with "The Payment of Gratuity Act, 1972". The amount is based on the respective employee's last drawn salary and the tenure of employment with the Group.

Gratuity, which is a defined benefit plan, is determined based on an independent actuarial valuation, which is carried out based on the projected unit credit method. The Group recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost, both vested and unvested, is recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits. In accordance with Ind AS, re-measurement gains and losses on defined benefit plans recognised in OCI are not to be subsequently reclassified to consolidated statement of profit and loss. As required under Ind AS read with Schedule III to Companies Act, 2013, the Group transfers it immediately to retained earnings. The discount rate is based on the yield of securities issued by the Government of India.

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 units generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model. The expected term of an option is estimated based on the vesting term and contractual life of the option. Expected volatility during the expected term of the option is based on the historical volatility of similar companies. Risk free interest rates are based on the government securities yield in effect at the time of the grant.

The cost of equity settled transactions is recognised, together with a corresponding increase in share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled. 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. Debit or credit in consolidated statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

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

Foreign Currencies

a. Functional currency

The Group's consolidated financial statements are presented in INR, which is also the Company's functional currency. For each entity the Group determines the functional currency based on the primary economic environment in which the entity operates, and items included in the financial statements of each entity are measured using that functional currency.

b. Transactions and balances

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 restatement of foreign currency denominated monetary assets and liabilities are included in the consolidated statement of profit and loss. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at an exchange rate that approximates the rate prevalent on the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

c. Translations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations that have a functional currency other than INR are translated into INR using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and held in foreign currency translation reserve ('FCTR'), a component of equity, except to the extent that the translation difference is allocated to non-controlling interest. When a foreign operation is disposed off, the relevant amount recognized in FCTR is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the reporting date.

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 consolidated 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 and reflects the uncertainty related to income taxes if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. The Group offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

- **Deferred income tax**

Deferred income tax assets and liabilities 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. 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 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.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as an income or expense in the period that includes the enactment or substantive enactment date.

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

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. In the year in which the MAT credit becomes eligible to be recognized as an asset, it is recorded by way of a credit to the consolidated statement of profit and loss and shown as deferred tax assets. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified future period. For operations carried out in SEZ facilities, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that do not reverse during the tax holiday period(s).

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/ group of entities.

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 the obligation. Provisions are determined based on best estimates required to settle each obligation at the 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 are recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

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. Contingent assets are neither recognised nor disclosed in the financial statements.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the Company's owners for the year by the weighted average number of equity shares outstanding during the year adjusted for treasury shares held.

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.

Cash dividend to the equity holders of the Company

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised, and the distribution is no longer at the discretion of the Company. Final dividends on shares is 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. When the grant relates to a capital asset, it is presented by deducting the grant in arriving at the carrying amount of the asset. Government grants related to revenue are recognized on a systematic basis in net profit in the consolidated statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate.

Recent pronouncements

The Ministry of Corporate Affairs through a notification dated 24 March 2021 amended Schedule III to the Companies Act, 2013. These amendments are applicable from 1 April 2021 and enhances the disclosures required to be made by the Group in its financial statements. As of now, the Group is evaluating the effect of these amendments on its financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

(₹ million)

	Plant and equipment	Computer equipment	Servers and networks	Office equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total
Cost								
At 1 April 2019	**208.03**	**878.76**	**794.33**	**202.24**	**227.50**	**61.36**	**437.11**	**2,809.33**
Additions	22.42	484.93	185.42	63.30	45.62	18.93	198.00	**1,018.62**
Disposals	(5.47)	(6.66)	(1.47)	(4.73)	(8.66)	(12.66)	(0.26)	**(39.91)**
Translation exchange differences	6.33	20.30	20.99	6.13	13.77	2.72	3.40	**73.64**
At 31 March 2020	**231.31**	**1,377.33**	**999.27**	**266.94**	**278.23**	**70.35**	**638.25**	**3,861.68**
Additions	17.29	616.98	236.78	57.78	39.28	-	149.67	**1,117.78**
Acquired through business combination (refer note 6)	-	0.63	-	0.07	-	0.10	-	**0.80**
Disposals	(54.55)	(4.38)	(57.54)	(0.30)	(0.34)	(15.52)	(1.46)	**(134.09)**
Translation exchange differences	(2.18)	(6.21)	(6.89)	(1.95)	(5.44)	(1.05)	(0.92)	**(24.64)**
At 31 March 2021	**191.87**	**1,984.35**	**1,171.62**	**322.54**	**311.73**	**53.88**	**785.54**	**4,821.53**
Depreciation								
At 1 April 2019	**133.12**	**598.02**	**414.73**	**109.12**	**148.84**	**33.87**	**169.69**	**1,607.39**
Charge for the year	23.45	258.81	125.45	38.02	33.05	13.87	46.92	**539.57**
Disposals	(5.28)	(6.55)	(1.19)	(4.66)	(8.56)	(11.66)	(0.26)	**(38.16)**
Translation exchange differences	5.89	13.60	13.68	4.58	11.76	0.37	3.26	**53.14**
At 31 March 2020	**157.18**	**863.88**	**552.67**	**147.06**	**185.09**	**36.45**	**219.61**	**2,161.94**
Charge for the year	19.79	354.01	149.56	45.99	38.02	12.19	66.06	**685.62**
Disposals	(54.52)	(3.95)	(52.86)	(0.28)	(0.31)	(15.26)	(1.46)	**(128.64)**
Translation exchange differences	(2.12)	(2.54)	(2.87)	(1.72)	(4.75)	(0.27)	(0.94)	**(15.21)**
At 31 March 2021	**120.33**	**1,211.40**	**646.50**	**191.05**	**218.05**	**33.11**	**283.27**	**2,703.71**
Net block								
At 31 March 2020	**74.13**	**513.45**	**446.60**	**119.88**	**93.14**	**33.90**	**418.64**	**1,699.74**
At 31 March 2021	**71.54**	**772.95**	**525.12**	**131.49**	**93.68**	**20.77**	**502.27**	**2,117.82**
Capital work-in-progress*								
As at 31 March 2021								31.27
As at 31 March 2020								73.80

* ₹ 72.85 million (31 March 2020: ₹ 15.77 million) has been capitalised and transferred to Property, Plant and Equipment.

4. LEASES

RIGHT-OF-USE ASSETS

(₹ million)

	Buildings	Plant and equipment	Servers and networks	Furniture and fixtures	Vehicles	Total
Cost						
At 1 April 2019	5,425.88	574.92	18.35	27.41	17.79	**6,064.35**
Additions	1,914.55	17.27	-	-	9.67	**1,941.49**
Modifications / terminations	(435.72)	-	-	-	(2.00)	**(437.72)**
Translation exchange differences	109.73	-	-	-	-	**109.73**
At 31 March 2020	**7,014.44**	**592.19**	**18.35**	**27.41**	**25.46**	**7,677.85**
Additions	1,188.30	-	-	-	4.58	**1,192.88**
Modifications / terminations	(377.15)	-	-	-	(2.49)	**(379.64)**
Retirement on completion of lease term	(144.43)	(366.71)	(17.04)	(14.42)	(0.87)	**(543.47)**
Translation exchange differences	(38.61)	-	-	-		**(38.61)**
At 31 March 2021	**7,642.55**	**225.48**	**1.31**	**12.99**	**26.68**	**7,909.01**
Depreciation						
At 1 April 2019	-	-	-	-	-	-
Charge for the year	1,098.36	342.67	16.45	17.43	7.92	**1,482.83**
Modifications / terminations	(61.75)	-	-	-	(0.57)	**(62.32)**
Translation exchange differences	20.93	-	-	-	-	**20.93**
At 31 March 2020	**1,057.54**	**342.67**	**16.45**	**17.43**	**7.35**	**1,441.44**
Charge for the year	1,195.25	224.71	1.71	4.59	8.40	**1,434.66**
Modifications / terminations	(84.87)	-			(1.69)	**(86.56)**
Retirement on completion of lease term	(144.43)	(366.71)	(17.04)	(14.42)	(0.87)	**(543.47)**
Translation exchange differences	(14.21)	-	-	-	-	**(14.21)**
At 31 March 2021	**2,009.28**	**200.67**	**1.12**	**7.60**	**13.19**	**2,231.86**
Net block						
At 31 March 2020	**5,956.90**	**249.52**	**1.90**	**9.98**	**18.11**	**6,236.41**
At 31 March 2021	**5,633.27**	**24.81**	**0.19**	**5.39**	**13.49**	**5,677.15**

During the year ended 31 March 2021, the Group incurred expenses amounting to ₹ 404.07 million (31 March 2020: ₹ 424.06 million) towards short-term leases and leases of low-value assets. For the year ended 31 March 2021, the total cash outflows for leases, including short-term leases and low-value assets amounted to ₹ 2,224.93 million (31 March 2020: ₹ 2,286.40 million).

There are leases not yet commenced to which the Group is committed as a lessee. These are not reflected in the measurement of lease liabilities. The present value of future cash outflows for such committed leases is approximately ₹ 771.35 million as at 31 March 2021 (31 March 2020: ₹ nil).

Lease contracts entered into by the Group primarily pertains to buildings taken on lease to conduct its business in the ordinary course.

The following table presents the various components of lease costs:

	Year ended 31 March 2021	Year ended 31 March 2020
Depreciation	1,434.66	1,482.83
Interest on lease liabilities	493.27	532.56
	1,927.93	**2,015.39**

Impact of the Global Pandemic ('Covid-19')

The Group does not foresee any large-scale contraction in demand which could result in significant down-sizing of its employee base rendering the physical infrastructure redundant. The leases that the Group has entered into with lessors for buildings are long term in nature and no changes in terms of those leases are expected due to the Covid-19.

	As at 31 March 2021	As at 31 March 2020
5. GOODWILL		
Balance as per previous financial statements	21,404.74	19,584.55
Acquisition through business combination (refer note 6)	583.52	-
Translation exchange differences	(662.59)	1,820.19
	21,325.67	**21,404.74**

For the purposes of impairment testing, goodwill recognised on business combinations is allocated to the Cash Generating Units ('CGU') which represents the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments.

Below is the CGU wise break-up of goodwill	**As at 31 March 2021**	**As at 31 March 2020**
Digital Risk	8,893.64	9,204.46
Wyde	4,098.48	4,241.71
Eldorado	1,292.04	1,337.24
Infrastructure Services	2,047.68	2,119.24
Stelligent	1,598.14	1,653.99
Business outsourcing	2,305.43	2,387.40
Datalytyx	593.88	-
Consulting	496.38	460.70
	21,325.67	**21,404.74**

Goodwill impairment testing

Goodwill is tested for impairment on an annual basis. The recoverable amount of a CGU is the higher of its fair value less cost of disposal and its value-in-use. The value-in-use is determined based on cash flow projections over a period of five years and terminal growth rate thereafter. An average of the range of each assumption used is mentioned below.

	As at 31 March 2021	As at 31 March 2020
Growth rate	1% to 16%	2% to 16%
Operating margins	11% to 30%	12% to 29%
Discount rate	12% to 17%	14% to 16%

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. Management believes that any reasonable possible changes in the key assumptions would not cause the carrying amount to exceed the recoverable amount of the cash generating unit.

Recoverable amount of all CGU's exceeded their carrying amounts, and hence no impairment losses were recognized during the year (31 March 2020: ₹ nil).

6. BUSINESS COMBINATION

On 19 November 2020, the Company through its wholly owned subsidiary, Mphasis Consulting Limited, obtained control of Datalytyx Limited and its subsidiaries (‘Datalytyx’) by acquiring 100% of its shares in cash. Datalytyx is a next-gen data engineering and consultancy company providing next-gen data Engineering, Data Ops and Master Data Management solutions on Snowflake and Talend environments. The acquisition seeks to strengthen the Group’s next-gen data strategy and build capabilities relevant to the digital priorities of its clients.

The acquisition was executed through a share purchase agreement for a consideration of GBP 11.55 million (₹ 1,141.92 million). The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill.

The following table shows the final allocation of purchase price: **(₹ million)**

Description	Useful life	Pre-acquisition carrying amount	Fair value adjustments	Purchase price allocated
Net assets		318.58	-	318.58
Business alliance partnerships	6 years	-	118.69	118.69
Customer contracts and relationships	4-7 years	-	138.47	138.47
Brand	5 years	-	39.56	39.56
Deferred tax liabilities on intangible assets		-	-	(56.90)
Total		**318.58**	**296.72**	**558.40**
Goodwill				583.52
Total purchase price				**1,141.92**

Net assets acquired include ₹ 151.32 million of cash and cash equivalents and trade and other receivables valued at ₹ 278.59 million. Trade and other receivables are expected to be collected in full.

Goodwill of ₹ 583.52 million comprises value of acquired workforce and expected synergies arising from the acquisition. The goodwill is not tax-deductible and has been allocated to the Datalytyx CGU.

The fair value of contingent consideration linked to continuing employment is being accounted for as a post combination expense in the consolidated statement of profit and loss.

Had the above acquisition occurred on 1 April 2020, management estimates that the consolidated revenue would have been higher by approximately ₹ 450.00 million and no material impact on the profits for the year ended 31 March 2021. The pro-forma amounts are not necessarily indicative of the results that would have occurred if the acquisition had occurred on date indicated or that may result in the future.

7. OTHER INTANGIBLE ASSETS

	Software	Customer contracts	Non compete agreement	Business alliance partnership	Others	Total
Cost						
At 1 April 2019	**1,647.80**	**535.47**	**143.97**	**53.04**	**167.47**	**2,547.75**
Additions	114.18	-	-	-	-	**114.18**
Disposals	0.20	-	-	-	-	**0.20**
Translation exchange differences	120.05	50.40	13.56	5.00	15.77	**204.78**
At 31 March 2020	**1,882.23**	**585.87**	**157.53**	**58.04**	**183.24**	**2,866.91**
Additions	295.80	138.47	-	118.69	39.56	**592.52**
Disposals	(0.99)	-	-	-	-	**(0.99)**
Translation exchange differences	(46.47)	(17.20)	(5.32)	0.25	(5.44)	**(74.18)**
At 31 March 2021	**2,130.57**	**707.14**	**152.21**	**176.98**	**217.36**	**3,384.26**
Amortization						
At 1 April 2019	**827.95**	**502.62**	**134.25**	**7.36**	**164.73**	**1,636.91**
Charge for the year	262.84	7.36	2.79	18.16	2.76	**293.91**
Disposals	0.20	-	-	-	-	**0.20**
Translation exchange differences	63.60	47.80	12.82	1.88	15.75	**141.85**
At 31 March 2020	**1,154.59**	**557.78**	**149.86**	**27.40**	**183.24**	**2,072.87**
Charge for the year	239.47	26.04	2.90	26.26	2.93	**297.60**
Disposals	(0.99)	-	-	-	-	**(0.99)**
Translation exchange differences	(28.37)	(18.90)	(5.09)	(1.16)	(6.18)	**(59.70)**
At 31 March 2021	**1,364.70**	**564.92**	**147.67**	**52.50**	**179.99**	**2,309.78**
Net block						
At 31 March 2020	**727.64**	**28.09**	**7.67**	**30.64**	**-**	**794.04**
At 31 March 2021	**765.87**	**142.22**	**4.54**	**124.48**	**37.37**	**1,074.48**

	As at 31 March 2021			As at 31 March 2020		
	Units	NAV (₹)	₹ million	Units	NAV (₹)	₹ million
8. NON-CURRENT INVESTMENTS						
Investments carried at amortized cost						
Quoted bonds						
7.19% India Infrastructure Finance Company Limited	599,500	1,000.0000	599.50	599,500	1,000.0000	599.50
Quoted fixed maturity plan securities						
Aditya Birla Sun Life FTP – Series PC Direct growth	-	-	-	40,000,000	11.6797	467.19
Aditya Birla Sun Life FTP – Series PH Direct growth	-	-	-	20,000,000	11.6156	232.31
ICICI Prudential Fixed Maturity Plan	-	-	-	25,000,000	11.6879	292.20
Kotak FMP Series 219	-	-	-	20,000,000	11.5450	230.90
Reliance Fixed Horizon Fund	-	-	-	15,000,000	11.6006	174.01
IDFC Yearly Interval Plan	-	-	-	6,670,335	17.5171	116.84
Reliance Yearly Interval Fund -Series 1 Direct growth	-	-	-	20,090,349	17.3789	349.15
Investments carried at FVTPL						
Quoted Target maturity date ETF						
Bharat Bond ETF – April 2025	640,701	1,022.1758	654.91	-	-	-
Quoted debentures						
Rural Electricity Corporation Limited	250	1,053,100.0000	263.27	-	-	-
Kotak Non-Convertible Debentures - 2022	500	1,127,200.0000	563.60	500	1,016,200.0000	508.10
Kotak Non-Convertible Debentures - 2021	-	-	-	500	1,017,000.0000	508.50
ICICI Home Finance Company Limited	2,000	516,500.0000	1,033.00	-	-	-
			3,114.28			**3,478.70**
Aggregate value of quoted non current investments			3,114.28			3,478.70

(₹ million)

	Non-current		Current	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
9. LOANS				
Unsecured - considered good				
Deposits	547.17	640.68	1,314.48	1,198.21
Employee advances	-	-	154.45	210.90
	547.17	**640.68**	**1,468.93**	**1,409.11**

	Non-current		Current	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
10. OTHER FINANCIAL ASSETS				
Unsecured - considered good				
Bank balances (refer note 15)*	593.75	146.24	93.34	80.81
Accrued interest	-	-	86.32	65.77
Derivative assets	335.00	18.47	776.63	306.11
Others	-	-	324.45	95.36
	928.75	**164.71**	**1,280.74**	**548.05**

* Includes restricted deposits of ₹ 93.69 million (31 March 2020: ₹ 103.69 million).

	Non-current		Current	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
11. OTHER ASSETS				
Unsecured - considered good				
Contract assets	175.96	171.33	427.91	215.74
Contract fulfilment cost	21.90	32.64	9.99	241.12
Contract acquisition cost	444.65	430.37	523.23	178.02
Employee advances	-	-	6.19	23.54
Capital advances	-	385.95	-	-
Prepaid expenses	49.15	103.59	780.54	960.29
Advances to suppliers	111.11	400.00	633.03	401.47
Indirect tax recoverable	210.35	254.39	1,798.90	1,422.85
	1,013.12	**1,778.27**	**4,179.79**	**3,443.03**

	As at 31 March 2021			As at 31 March 2020		
	Units	NAV (₹)	₹ million	Units	NAV (₹)	₹ million
12. CURRENT INVESTMENTS						
Investments carried at FVTPL						
Quoted mutual funds						
Kotak Equity Arbitrage Fund Direct growth	68,269,641	30.2811	2,067.28	69,122,184	29.0691	2,009.32
HDFC Overnight Fund	2,328	3,058.0876	7.12	393,991	2,969.1183	1,169.80
IDFC Low Duration Fund	48,925,914	30.6578	1,499.96	20,924,869	28.8946	604.62
IDFC Arbitrage Fund	27,711,816	26.7596	741.56	27,715,199	25.7308	713.13
ABSL Overnight Fund - Growth - Direct Plan	75	1,112.9299	0.08	-	-	-
Axis Treasury Advantage Fund - Direct Plan - growth	565,300	2,481.4932	1,402.79	-	-	-
Kotak Savings Fund - Direct Plan - growth	59,130,548	34.6828	2,050.81	-	-	-
SBI Overnight Fund - Direct Plan - growth	38	3,351.7811	0.13	-	-	-
L&T Liquid Fund - Direct Plan growth	177,384	2,818.9266	500.03	-	-	-
Aditya Birla Life Savings Fund - growth Direct Plan	1,374,229	426.8362	586.57	-	-	-
UTI Money Market Fund - Direct growth Plan	140,647	2,395.1725	336.87	-	-	-
Nippon India Overnight - Direct growth Plan	3,077,769	110.4741	340.01	-	-	-
Nippon India Money Market - Direct Plan - growth	2,047	3,220.7526	6.59	-	-	-
Nippon India Arbitrage Advantage Fund-Direct Plan - growth	126,476,353	21.8270	2,760.61	-	-	-
Reliance Arbitrage Advantage fund	-	-	-	82,445,805	20.9301	1,725.60
HDFC Ultrashort term	-	-	-	91,561,595	11.2585	1,030.85
IDFC Cash fund	-	-	-	10,514	2,401.8713	25.25
ICICI Prudential Money Market Fund	-	-	-	3,352,925	279.2649	936.35
Quoted debentures						
Kotak Non-Convertible Debentures - 2021	500	1,110,800.0000	555.40	-	-	-
Citicorp Finance (India) Ltd.	-	-	-	5,000	100,570.0000	502.85
Quoted bonds						
0 % Nabard 2020	-	-	-	1,700	19,313.9832	32.83
0 % REC 2020	-	-	-	1,830	28,975.9196	53.03
Investments carried at amortized cost						
Quoted debentures						
HDFC Non-Convertible Debentures - Coupon Bearing	-	-	-	80.00	12,177,153.8164	974.17
Quoted fixed maturity plan securities						
Aditya Birla Sun Life FTP – Series PC Direct growth	40,000,000	12.4597	498.39	-	-	-
Aditya Birla Sun Life FTP – Series PH Direct growth	20,000,000	12.3956	247.91	-	-	-
ICICI Prudential Fixed Maturity Plan	25,000,000	12.4099	310.25	-	-	-
Kotak FMP Series 219	20,000,000	12.3913	247.83	-	-	-
Reliance Fixed Horizon Fund	15,000,000	12.3806	185.71	-	-	-
Unquoted inter corporate deposit						
HDFC Limited *	-	-	1,000.00	-	-	-
			15,345.90			**9,777.80**
Aggregate value of quoted current investments			14,345.90			9,777.80
Aggregate value of unquoted current investments			1,000.00			-

* These deposits earn a fixed rate of interest.

	Non-current		Current	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
13. TRADE RECEIVABLES				
Unsecured				
Trade receivables	-	-	9,665.20	8,519.20
Allowances for doubtful receivables	-	-	(370.38)	(166.68)
Considered good	-	-	**9,294.82**	**8,352.52**
Trade receivables	-	-	471.01	474.05
Allowance for doubtful receivables	-	-	(471.01)	(474.05)
Credit impaired	-	-	-	-
	-	-	**9,294.82**	**8,352.52**

	As at 31 March 2021	As at 31 March 2020
14. CASH AND CASH EQUIVALENTS		
In current accounts	5,756.60	4,744.91
Deposits with original maturity of less than 3 months	1,954.67	5,135.10
Cash on hand	0.17	-
	7,711.44	**9,880.01**

(₹ million)

	Non-current		Current	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
15. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS				
Deposits with remaining maturity of more than 12 months	593.75	146.24	-	-
Deposits with remaining maturity of less than 12 months	-	-	2,980.44	1,437.05
Unclaimed dividend	-	-	23.88	20.78
	593.75	**146.24**	**3,004.32**	**1,457.83**
Disclosed under other financial assets (refer note 10)	(593.75)	(146.24)	(93.34)	(80.81)
	-	-	**2,910.98**	**1,377.02**

	As at 31 March 2021	As at 31 March 2020
16. EQUITY SHARE CAPITAL		
Authorised share capital		
245,000,000 (31 March 2020: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
Issued, subscribed and fully paid-up shares		
187,042,033 (31 March 2020: 186,535,807) equity shares of ₹ 10 each fully paid-up	1,870.42	1,865.36
Add: Amount originally paid-up on forfeited shares	0.07	0.07
Total issued, subscribed and fully paid-up share capital	**1,870.49**	**1,865.43**

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

	As at 31 March 2021		As at 31 March 2020	
	Number of shares	₹ million	Number of shares	₹ million
At the beginning of the year	186,535,807	1,865.36	186,219,039	1,862.19
Issue of shares upon exercise of stock options	505,526	5.05	316,768	3.17
Allotment of bonus shares earlier held in abeyance *	700	0.01	-	-
Outstanding at the end of the year	**187,042,033**	**1,870.42**	**186,535,807**	**1,865.36**

* Consequent to resolution of a dispute over the title of shares, 700 bonus shares, which were earlier held in abeyance was released and allotted to the claimant during the year ended 31 March 2021.

(b) Terms/rights and restrictions attached to equity shares.

The Company has only one class of equity shares having a 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 at 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

	As at 31 March 2021	As at 31 March 2020
Marble II Pte Ltd. (subsidiary of the ultimate holding company) *		
104,799,577 (31 March 2020: 104,799,577) equity shares of ₹ 10 each fully paid	1,048.00	1,048.00

* The ultimate holding company is Blackstone Capital Partners (Cayman II) VI L.P.

(d) Equity shares movement during five years immediately preceding 31 March 2021.

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

	As at 31 March 2021	As at 31 March 2020
Equity shares allotted as fully paid bonus shares by capitalization of retained earnings	1,400	700

(ii) Equity shares extinguished / cancelled on buy back

a. On 2 June 2017, the Company completed the buyback of 17,370,078 fully paid-up equity shares of face value of ₹ 10 each ("equity shares"), 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 million. 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 million to Capital Redemption Reserve representing face value of equity shares bought back.

b. On 28 December 2018, the Company 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 has transferred ₹ 73.21 million to the 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	As at 31 March 2021		As at 31 March 2020	
	Number of shares	% of holding	Number of shares	% of holding
Marble II Pte Ltd.	104,799,577	56.03	104,799,577	56.18

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 17.

(₹ million)

	As at 31 March 2021	As at 31 March 2020
17. OTHER EQUITY		
Securities premium		
Balance as per previous financial statements	266.18	69.26
Premium received on issue of shares	262.98	148.23
Transferred from share based payment reserve, on exercise of options	67.24	48.69
Closing balance	**596.40**	**266.18**
General reserve		
Balance as per previous financial statements	2,003.57	788.73
Transfer from share based payments reserve	27.51	9.78
Transferred from retained earnings	-	1,205.06
Closing balance	**2,031.08**	**2,003.57**
Retained earnings		
Balance as per previous financial statements	44,764.37	41,950.46
Re-measurement gains / (losses) on defined benefit plans	(60.19)	24.66
Profit for the year	12,168.05	11,848.37
Allotment of bonus shares earlier held in abeyance	(0.01)	-
Transition impact of Ind AS 116	-	(1,022.41)
Transferred to Special Economic Zone re-investment reserve	(598.93)	(1,390.63)
Transferred from Special Economic Zone re-investment reserve	519.50	624.29
Less: Appropriations		
Dividends	6,529.88	5,031.13
Dividend Distribution Tax	-	1,034.18
Transfer to general reserve	-	1,205.06
Total appropriations	**6,529.88**	**7,270.37**
Closing balance	**50,262.91**	**44,764.37**
Capital reserve		
Balance as per previous financial statements	361.39	361.39
Closing balance	**361.39**	**361.39**
Capital redemption reserve		
Balance as per previous financial statements	251.66	251.66
Closing balance	**251.66**	**251.66**
Share based payments reserve		
Balance as per previous financial statements	581.21	492.98
Expense for the year	102.19	146.70
Transferred to securities premium on exercise of options	(67.24)	(48.69)
Transfer to general reserve	(27.51)	(9.78)
Closing balance	**588.65**	**581.21**
Special Economic Zone re-investment reserve		
Balance as per previous financial statements	1,760.52	994.18
Transferred from retained earnings	598.93	1,390.63
Utilization during the year	(519.50)	(624.29)
Closing balance	**1,839.95**	**1,760.52**
Hedging reserve		
Balance as per previous financial statements	(831.50)	416.85
Transactions during the year	1,740.79	(1,051.23)
Transfer to statement of profit and loss on maturity of the underlying hedges	(302.74)	(197.12)
Closing balance	**606.55**	**(831.50)**
Foreign currency translation reserve		
Balance as per previous financial statements	7,273.16	5,310.41
Transactions during the year	(415.14)	1,962.75
Closing balance	**6,858.02**	**7,273.16**
Total other equity	**63,396.61**	**56,430.56**

Dividend on equity shares

The Board of Directors, at its meeting held on 13 May 2020 had proposed the final dividend of ₹ 35 per share for the year ended 31 March 2020. The dividend proposed by the Board of Directors was approved by the shareholders' in the Annual General meeting held on 23 July 2020. This resulted in a cash outflow of ₹ 6,526.78 million.

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 irrespective of continued employment with the Group.

The movements in the options granted under the 1998 Plan - (Version I) are set out below:

	Year ended 31 March 2021		Year ended 31 March 2020	
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 2021 have an exercise price of ₹ 34.38 (31 March 2020: ₹ 34.38).

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 sixty months from the respective date of vesting or within six months from the resignation of the employee whichever is earlier.

The movements in the options under the 2016 plan are set out below:

	Year ended 31 March 2021		Year ended 31 March 2020	
2016 Plan	**No. of options**	**Weighted Average Exercise Price (₹)**	**No. of options**	**Weighted Average Exercise Price (₹)**
Options outstanding at the beginning	4,308,911	575.97	4,675,716	561.53
Granted	232,500	810.61	186,500	860.72
Forfeited	219,832	649.21	228,374	584.92
Lapsed	12,102	702.31	37,962	515.81
Exercised	505,526	530.21	286,969	526.55
Options outstanding at the end	**3,803,951**	**591.76**	**4,308,911**	**575.97**
Exercisable at the end	**2,325,323**	**554.24**	**1,972,913**	**542.57**

The weighted average share price as at the date of exercise of stock option was ₹ 1,488.17 (31 March 2020: ₹ 919.93). The options outstanding on 31 March 2021 have an exercise price ranging from ₹ 500.00 to ₹ 980.00 (31 March 2020: ₹ 500.00 to ₹ 941.00) and the weighted average remaining contractual life of 4.67 years (31 March 2020: 3.43 years).

The weighted average fair value of stock options granted during the year was ₹ 203.64 (31 March 2020: ₹ 214.25). The Black-Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	Year ended 31 March 2021	Year ended 31 March 2020
Weighted average share price on the date of grant (₹)	816.77	926.48
Exercise Price (₹)	803.00 to 980.00	850.00 to 900.00
Expected Volatility	35.07% to 39.17%	23.46% to 31.31%
Life of the options granted in years	1-10 years	1-5 years
Average risk-free interest rate	5.82% to 6.10%	6.37% to 6.93%
Expected dividend rate	2.93% to 3.57%	1.68% to 2.93%

Total employee compensation cost pertaining to 2016 Plan during the year is ₹ 102.19 million (31 March 2020: ₹ 146.70 million.)

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 units to employees and directors of the Company and its subsidiaries.

The RSU Plan-2014 is administered by the Mphasis Employees Benefit Trust. Each unit, 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 this plan 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 units under the RSU Plan-2014 are set out below:

	Year ended 31 March 2021		Year ended 31 March 2020	
RSU 2014 Plan	**No. of units**	**Weighted Average Exercise Price (₹)**	**No. of units**	**Weighted Average Exercise Price (₹)**
Units outstanding at the beginning	-	-	5,313	10.00
Lapsed	-	-	3,350	10.00
Exercised	-	-	1,963	10.00
Units outstanding at the end	-	-	-	-

The weighted average share price as at the date of exercise of stock unit was ₹ nil (31 March 2020: ₹ 966.39).

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 units to employees and directors of the Company and its subsidiaries.

The RSU Plan-2015 is administered by the Mphasis Employees Benefit Trust. Each unit, 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 this plan 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 units under the RSU Plan-2015 are set out below:

	Year ended 31 March 2021		Year ended 31 March 2020	
RSU 2015 Plan	**No. of units**	**Weighted Average Exercise Price (₹)**	**No. of units**	**Weighted Average Exercise Price (₹)**
Units outstanding at the beginning	-	-	37,086	10.00
Lapsed	-	-	9,250	10.00
Exercised	-	-	27,836	10.00
Units outstanding at the end	-	-	-	-

The weighted average share price as at the date of exercise of stock units was ₹ nil (31 March 2020: ₹ 922.85).

(₹ million)

	Non-current		Current	
	As at 31 March 2021	**As at 31 March 2020**	**As at 31 March 2021**	**As at 31 March 2020**
18. OTHER FINANCIAL LIABILITIES				
Salary related costs	15.58	22.38	2,826.18	2,828.37
Capital creditors	-	-	82.06	77.78
Other payables	1.05	1.00	219.69	122.59
Unpaid dividend *	-	-	23.88	20.78
Derivative liabilities	23.06	607.44	89.68	1,113.19
	39.69	**630.82**	**3,241.49**	**4,162.71**

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

	Non-current		Current	
	As at 31 March 2021	**As at 31 March 2020**	**As at 31 March 2021**	**As at 31 March 2020**
19. EMPLOYEE BENEFIT OBLIGATIONS				
Provision for gratuity [refer note 37 (a)]	727.68	697.90	-	-
Provision for employee compensated absences	-	-	970.11	720.46
	727.68	**697.90**	**970.11**	**720.46**

	Non-current		Current	
	As at 31 March 2021	**As at 31 March 2020**	**As at 31 March 2021**	**As at 31 March 2020**
20. OTHER LIABILITIES				
Unearned revenue	-	-	1,148.02	1,135.91
Statutory dues	562.53	-	1,622.20	1,241.38
	562.53	**-**	**2,770.22**	**2,377.29**

	Non-current		Current	
	As at 31 March 2021	**As at 31 March 2020**	**As at 31 March 2021**	**As at 31 March 2020**
21. BORROWINGS				
Pre-shipment loan from bank (unsecured) *	-	-	1,881.10	2,345.62
Loan from Citibank (unsecured)**	-	-	3,253.40	3,367.23
	-	-	**5,134.50**	**5,712.85**

	As at 31 March 2021	**As at 31 March 2020**
Balance as per previous financial statements	5,712.85	5,425.92
Cash flow movement	(408.71)	(223.64)
Non-cash changes relating to foreign exchange movements	(169.64)	510.57
Closing balance	**5,134.50**	**5,712.85**

* Pre-shipment loan in foreign currency amounting to ₹ 731.10 million (31 March 2020: ₹ 2,345.62 million) carries interest @ LIBOR plus 0.43% (31 March 2020: LIBOR plus 0.48%) p.a. The loan has been repaid on 6 April 2021. Pre-shipment loan of ₹ 1,150.00 million (31 March 2020: ₹ nil) carries interest @ 4.1% (31 March 2020: nil). The loan is repayable on 21 August 2021.

** Loan from Citibank carries interest @ LIBOR plus 0.65% to 0.85% (31 March 2020: LIBOR plus 0.65%) p.a. The loan is repayable on or before 17 June 2021. The loan is availed by a wholly owned subsidiary and the Company has issued a corporate guarantee towards the same.

Refer note 39 for the Group's exposure to interest rate, foreign currency and liquidity risks.

	Non-current		Current	
	As at 31 March 2021	**As at 31 March 2020**	**As at 31 March 2021**	**As at 31 March 2020**
22. PROVISIONS				
Provisions	-	-	496.99	68.30
	-	-	**496.99**	**68.30**

	Provision for loss on long-term contract	**Provisions**
As at 1 April 2020	-	**68.30**
Additions	-	429.13
Translation exchange differences	-	(0.44)
As at 31 March 2021	-	**496.99**
Current	-	496.99
As at 1 April 2019	**10.20**	**73.03**
Additions	-	12.15
Utilised / paid	(10.20)	(17.69)
Translation exchange differences	-	0.81
As at 31 March 2020	-	**68.30**
Current	-	68.30

23. TAXES

Income tax expenses in the statement of profit and loss consist of the following: (₹ million)

	Year ended 31 March 2021	Year ended 31 March 2020
Taxes		
Current taxes	4,094.30	3,495.35
Deferred taxes	43.73	(189.92)
Total taxes	**4,138.03**	**3,305.43**

Under the Indian Income Tax Act, 1961, the Company is liable to pay Minimum Alternate Tax ('MAT') in the tax holiday period if the tax payable under normal provisions is less than tax payable under MAT. Excess tax paid under MAT over tax under normal provision 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 an SEZ. Under the Special Economic Zone Act, 2005, 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. The tax benefits are also available for a further five years post initial ten years subject to the creation of SEZ Reinvestment Reserve which is required to be spent within 3 financial years in accordance with the requirements of the tax regulations in India.

The interest / 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, reversal of tax expense pertaining to previous years (net), deductions and tax effect on allowances / disallowances etc.

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.

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 2021 and 31 March 2020 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 2021	Year ended 31 March 2020
Profit before tax	**16,306.08**	**15,153.80**
Applicable tax rates in India	34.944%	34.944%
Computed tax charge (A)	**5,698.00**	**5,295.34**
Tax effect on exempt operating income	(1,532.63)	(899.07)
Tax effect on exempt non - operating income	(15.06)	(18.30)
Tax effect on non - deductible expenses	102.12	98.72
Tax effect on differential domestic/overseas tax rate and other disallowances	253.27	148.53
Tax effect on undistributed earnings of foreign subsidiaries of US entities	-	1.87
Reversal of tax expenses pertaining to prior period *	(469.60)	(1,568.93)
Tax effect on unrecognized deferred tax assets	142.24	(79.66)
Tax effect on foreign source dividend **	-	353.25
Others, net	(40.31)	(26.32)
Total adjustments (B)	**(1,559.97)**	**(1,989.91)**
Total tax expenses (A+B)	**4,138.03**	**3,305.43**

Income tax expense for the years ended 31 March 2021 and 31 March 2020 includes reversal (net of provisions) of ₹ 469.60 million and ₹ 1,568.93 million, respectively.

	Non-current		Current	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
Income tax assets (net)				
Advance income-tax (net of provision for taxation)	5,496.40	4,882.58	-	-
	5,496.40	**4,882.58**	**-**	**-**
Income tax liabilities (net)				
Provision for taxation	242.25	256.81	1,553.58	566.65
	242.25	**256.81**	**1,553.58**	**566.65**
Net income tax asset			**3,700.57**	**4,059.12**

Deferred tax asset amounting to ₹ 785.62 million and ₹ 501.19 million in relation to carry forward losses in various subsidiaries has not been recorded during the years ended 31 March 2021 and 31 March 2020. The underlying losses carried forward do have a scheduled expiry date.

Deferred tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, deferred tax liabilities on cumulative earnings of subsidiaries and branches amounting to ₹ 15,181.82 million and ₹ 14,127.44 million as of 31 March 2021 and 31 March 2020, respectively have not been recognized. Further, it is not practicable to estimate the amount of the unrecognized deferred tax liabilities for these undistributed earnings.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities are as follows: **(₹ million)**

	As at 31 March 2021	As at 31 March 2020
Deferred tax asset (net)		
Property, plant and equipment and other intangible assets	279.56	312.91
Provision for doubtful debts and advances	318.48	186.89
Provision for employee benefits	526.42	572.74
Provision for loss on long-term contract	-	16.23
On carried forward long term capital loss	40.82	88.48
Derivative (assets) / liabilities	(324.46)	447.27
MAT credit entitlement	-	261.52
Others	419.90	271.42
	1,260.72	**2,157.46**
Deferred tax liabilities (net)		
Property, plant and equipment and other intangible assets	582.79	664.51
Provision for doubtful debts and advances	(11.26)	(0.27)
On net operating losses	(319.11)	(736.44)
Others	90.44	209.52
	342.86	**137.32**
Net Deferred tax asset	**917.86**	**2,020.14**

Significant components of net deferred tax assets and liabilities are as follows:

	As at 1 April 2020	Statement of Profit and loss	OCI	Others	As at 31 March 2021
Deferred tax asset (net)					
Property, plant and equipment and other intangible assets	312.91	(33.35)	-	-	279.56
Provision for doubtful debts and advances	186.89	131.59	-	-	318.48
Provision for employee benefits	572.74	(77.11)	30.79	-	526.42
Provision for loss on long-term contract	16.23	(16.23)	-	-	-
On carried forward long term capital loss	88.48	(47.66)	-	-	40.82
Derivative (assets) / liabilities	447.27	-	(771.73)	-	(324.46)
MAT credit entitlement	261.52	-	-	(261.52)	-
Others	271.42	147.15	-	1.33	419.90
	2,157.46	**104.39**	**(740.94)**	**(260.19)**	**1,260.72**
Deferred tax liabilities (net)					
Property, plant and equipment and other intangible assets	664.51	(139.14)	-	57.42	582.79
Provision for doubtful debts and advances	(0.27)	(10.99)	-	-	(11.26)
On net operating losses	(736.44)	417.33	-	-	(319.11)
Others	209.52	(119.08)	-	-	90.44
	137.32	**148.12**	**-**	**57.42**	**342.86**
Total	**2,020.14**	**(43.73)**	**(740.94)**	**(317.61)**	**917.86**

	As at 1 April 2019	Statement of Profit and loss	OCI	Others	As at 31 March 2020
Deferred Tax Asset (net)					
Property, plant and equipment and other intangible assets	396.69	(83.78)	-	-	312.91
Provision for doubtful debts and advances	156.82	30.07	-	-	186.89
Provision for employee benefits	390.17	196.06	(13.49)	-	572.74
Provision for loss on long-term contract	16.23	-	-	-	16.23
Rent equalization reserve	(14.22)	14.22	-	-	-
On carried forward long term capital loss	153.26	(64.78)	-	-	88.48
Derivative (assets) / liabilities	(220.11)	-	667.38	-	447.27
MAT credit entitlement	-	-	-	261.52	261.52
Others	(65.02)	207.49	-	128.95	271.42
	813.82	**299.28**	**653.89**	**390.47**	**2,157.46**
Deferred Tax Liabilities (net)					
Property, plant and equipment and other intangible assets	436.49	228.02	-	-	664.51
Provision for doubtful debts and advances	(7.47)	7.20	-	-	(0.27)
Provision for employee benefits	(107.88)	107.88	-	-	-
Rent equalization reserve	(0.83)	0.83	-	-	-
On net operating losses	(581.94)	(154.50)	-	-	(736.44)
Others	289.59	(80.07)	-	-	209.52
	27.96	**109.36**	**-**	**-**	**137.32**
Total	**785.86**	**189.92**	**653.89**	**390.47**	**2,020.14**

(₹ million)

	Year ended 31 March 2021	Year ended 31 March 2020
24. REVENUE FROM OPERATIONS		
Sale of services	96,920.37	88,238.25
Profit / (loss) on cash flow hedges reclassified to revenue	302.74	197.12
	97,223.11	**88,435.37**

Information in relation to revenue disaggregation is disclosed in note 34 and 35.

Reconciliation of revenue recognised with contracted price is as follows:

	Year ended 31 March 2021	Year ended 31 March 2020
Contracted price	98,786.01	90,074.30
Reductions towards variable consideration components *	(1,865.64)	(1,836.05)
Revenue as per statement of profit and loss	**96,920.37**	**88,238.25**

* The reduction towards variable consideration comprises of discounts, amortization of contract acquisition cost, etc.

A. Contract balances

The following table discloses the movement in contract assets:

	Year ended 31 March 2021	Year ended 31 March 2020
Balance as per previous financial statements	387.07	133.28
Revenue recognized during the year	404.08	350.13
Invoiced during the year	(186.23)	(133.28)
Exchange gain / (loss)	(1.05)	36.94
Closing balance	**603.87**	**387.07**

The following table discloses the movement in unearned revenue balances:

	Year ended 31 March 2021	Year ended 31 March 2020
Balance as per previous financial statements	1,135.91	944.01
Revenue recognised that was included in the unearned revenue balance at the beginning of the year	(933.73)	(539.06)
Increase due to invoicing during the year, excluding amounts recognised as revenue during the year	970.46	690.66
Exchange (gain) / loss	(24.62)	40.30
Closing balance	**1,148.02**	**1,135.91**

B. Remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as revenue as at the end of the reporting period and an explanation as to when the Group expects to recognize these amounts in revenue. Unsatisfied or partially satisfied performance obligations are subject to variability due to several factors such as termination, changes in contract scope, re-validation of estimates and economic factors.

Applying the practical expedient as given in Ind AS 115, the Group has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value transferred to the customer, typically those contracts where invoicing is on time and material, unit price basis.

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2021 is ₹ 13,786.00 million (31 March 2020: ₹ 15,478.00 million). Out of this, the Group expects to recognize revenue of around 40% (31 March 2020: 34%) within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

Impact of Covid-19

The Group has evaluated the impact of Covid-19 resulting from

- the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts,
- potential onerous contract obligations,
- penalties relating to breaches of service level agreements and,
- termination / deferment of contracts by customers.

The Group has concluded that the impact of Covid-19 is not material based on above mentioned evaluation. Group will continue to monitor developments to identify significant uncertainties relating to revenue in future periods given the nature and duration of Covid-19.

	Year ended 31 March 2021	Year ended 31 March 2020
25. OTHER INCOME		
Interest income on		
Bank deposits	149.44	132.67
Long term bonds	48.37	43.22
Others	90.03	403.18
Net gain on investments carried at FVTPL *	839.28	933.38
Foreign exchange gain, (net)	92.99	147.21
Profit on sale of fixed assets, (net)	4.31	16.33
Miscellaneous income	105.03	102.21
	1,329.45	**1,778.20**

* includes profit on sale of investments amounting to ₹ 703.62 million (31 March 2020: ₹ 958.28 million).

(₹ million)

	Year ended 31 March 2021	Year ended 31 March 2020
26. EMPLOYEE BENEFITS EXPENSE		
Salaries and bonus	52,303.85	45,504.85
Contribution to provident and other funds	3,595.47	3,063.34
Employee share based payments	102.19	146.70
Staff welfare expenses	296.35	511.52
	56,297.86	**49,226.41**

	Year ended 31 March 2021	Year ended 31 March 2020
27. FINANCE COSTS		
Interest expense on borrowings	126.80	242.78
Interest expense on lease liabilities	493.27	532.56
Exchange difference to the extent considered as an adjustment to borrowing costs	14.08	36.59
	634.15	**811.93**

	Year ended 31 March 2021	Year ended 31 March 2020
28. DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation of property, plant and equipment (refer note 3)	685.62	539.57
Amortization of intangible assets (refer note 7)	297.60	293.91
Depreciation of right-of-use assets (refer note 4)	1,434.66	1,482.83
	2,417.88	**2,316.31**

	Year ended 31 March 2021	Year ended 31 March 2020
29. OTHER EXPENSES		
Subcontracting charges	13,113.19	13,499.63
Legal and professional charges	2,742.26	1,751.46
Software support and annual maintenance charges	1,901.65	1,477.04
Facility expenses	704.34	689.21
Travel	753.61	2,046.25
Communication expenses	818.71	720.00
Recruitment expenses	836.00	631.88
Power and fuel	261.35	390.65
Insurance	167.99	134.25
Rates and taxes	94.14	62.27
Repairs and maintenance - others	104.72	166.49
Provision for expected credit loss	251.81	92.49
Corporate Social Responsibility expense	268.95	223.50
Miscellaneous expenses	877.87	820.00
	22,896.59	**22,705.12**

30. EARNINGS PER SHARE ('EPS')

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

	Year ended 31 March 2021	Year ended 31 March 2020
Profit for the year (₹ in million)	12,168.05	11,848.37
Number of weighted average shares considered for calculation of basic earnings per share	186,674,485	186,374,412
Add: Dilutive effect of stock options	2,182,847	1,424,811
Number of weighted average shares considered for calculation of diluted earnings per share	188,857,332	187,799,223
Earnings per equity share (par value ₹ 10 per share)		
Basic	65.18	63.57
Diluted	64.43	63.09

31. 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 ₹ 9,033.09 million (31 March 2020: ₹ 9,201.20 million).

In relation to other tax demands not included above, the Group has furnished bank guarantees amounting to ₹ 6,661.95 million (31 March 2020: ₹ 6,661.95 million). These demands are being contested by the Group based on management evaluation, advice of tax consultants and legal advice 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 31 March 2021: ₹ 194.98 million (31 March 2020: ₹ 205.94 million) pertains to guarantees issued 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 ₹ 800.15 million (31 March 2020: ₹ 852.25 million). 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.

d. Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 March 2021: ₹ 241.62 million (31 March 2020: ₹ 222.25 million).

32. RELATED PARTY TRANSACTIONS

In accordance with the requirements of Indian Accounting Standard (Ind AS) -24 'Related Party Disclosures' the names of the related party where control exists/able to exercise significant influence along with the aggregate transactions and year-end balances are given below.

Entities where control exists

Blackstone Capital Partners (Cayman II) VI L.P.	Ultimate holding company
Blackstone Capital Partners (Singapore) VI Holding Co Pte Ltd	Intermediate holding company
Marble I Pte Ltd.	Intermediate holding company
Marble II Pte Ltd.	Holding company

Post-employment benefit trusts of the Group

Mphasis Group Employees Provident Fund Trust
Mphasis Limited Employees Group Gratuity Fund Trust
Msource India Pvt Ltd Employees Group Gratuity Fund Trust
Digital Risk Mortgage Services LLC Employees Group Gratuity Scheme

Key management personnel

Davinder Singh Brar	Independent Director and Chairman of the Board
Narayanan Kumar	Independent Director
Jan Kathleen Hier	Independent Director
David Lawrence Johnson	Director
Marshall Jan Lux	Director
Amit Dixit	Director
Amit Dalmia	Director
Paul James Upchurch	Director – Resigned w.e.f. 31 December 2020
Nitin Rakesh	Chief Executive Officer and Executive Director
Manish Dugar	Chief Financial Officer – Appointed w.e.f. 15 May 2020
V. Suryanarayanan	Executive Vice President & Chief Financial Officer – Resigned w.e.f. 14 May 2020
Subramanian Narayan	Senior Vice President & Company Secretary

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

`	Year ended 31 March 2021	Year ended 31 March 2020
Dividend paid (on cash basis)	**3,301.75**	**2,628.30**
Marble II Pte Ltd. [net of withholding taxes amounting to ₹ 366.80 (31 March 2020: ₹ nil)]	3,301.19	2,627.58
Others	0.56	0.72
Remuneration / Commission to key management personnel *	**189.26**	**186.12**
Nitin Rakesh	115.96	122.81
Others	73.30	63.31

* This does not include remuneration paid to certain directors by the ultimate parent company and its affiliates as they are not employees of the Group. Post-employment benefit comprising gratuity and compensated absences have not been disclosed as these are determined for the Group as a whole.

Marble II Pte Ltd. ('Marble') (being the Promoter of the Company) has covered certain identified employees of the Group under an Exit Return Incentive Plan ('the ERI Plan') of Marble, under which Marble will make direct payments upon satisfaction of specified conditions therein, at Marble's discretion. The ERI Plan was approved by the Board of Directors of the Company on 25 May 2017 and the shareholders of the Company at the Annual General Meeting held on 26 July 2017, as required under Regulation 26(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. There is no financial impact / burden to the Group for the payments to be made pursuant to the ERI Plan by Marble.

The balances payable to related parties are as follows:

	As at 31 March 2021	As at 31 March 2020
Remuneration / Commission payable to key management personnel	**6.47**	**8.22**
Davinder Singh Brar	1.49	1.60
Narayanan Kumar	1.34	1.46
David Lawrence Johnson	1.20	1.28
Jan Kathleen Hier	1.27	1.38
Marshall Lux	1.17	1.25
Paul James Upchurch	-	1.25

33. Additional information pursuant to para 2 of general instructions for the preparation of the Consolidated Financial Statements for years ended 31 March 2021 and 31 March 2020.

31 March 2021	Consolidated net assets		Consolidated profit or loss		Consolidated OCI		Consolidated total Comprehensive income	
Name of the entity	**Percentage**	**₹ million**	**Percentage**	**₹ million**	**Percentage**	**₹ million**	**Percentage**	**₹ million**
Parent								
Mphasis Limited	42.96%	43,100.46	90.72%	11,103.62	85.35%	1,384.48	90.09%	12,488.10
Indian subsidiaries								
Msource (India) Private Limited	9.74%	9,769.76	2.65%	324.22	-0.34%	(5.54)	2.30%	318.68
Mphasis Software and Services (India) Private Limited	1.80%	1,804.71	0.42%	51.68	0.00%	-	0.37%	51.68
Foreign subsidiaries								
Mphasis Corporation	8.34%	8,364.20	3.28%	401.73	-4.03%	(65.32)	2.43%	336.41
Mphasis Deutschland GmbH	-0.22%	(219.50)	-0.87%	(106.70)	-0.16%	(2.62)	-0.79%	(109.32)
Mphasis Australia Pty Limited	0.03%	29.64	-2.74%	(335.32)	2.73%	44.28	-2.10%	(291.04)
Mphasis (Shanghai) Software & Services Company Limited	0.18%	176.40	-0.24%	(29.76)	0.55%	8.97	-0.15%	(20.79)
Mphasis Consulting Limited	0.64%	644.44	-0.14%	(17.28)	1.72%	27.97	0.08%	10.69
Mphasis Ireland Limited	0.06%	57.26	0.01%	1.11	0.12%	1.95	0.02%	3.06
Mphasis Belgium BV	0.83%	835.67	1.08%	132.07	1.53%	24.89	1.13%	156.96
Mphasis Poland s.p.z.o.o	0.00%	(3.95)	-0.01%	(0.76)	0.00%	(0.04)	-0.01%	(0.80)
Msource Mauritius Inc.	0.63%	627.28	-0.01%	(0.58)	0.00%	(0.03)	0.00%	(0.61)
PT. Mphasis Indonesia	0.00%	(1.31)	0.00%	(0.47)	0.00%	(0.05)	0.00%	(0.52)
Mphasis Europe BV	11.72%	11,754.55	0.24%	28.85	0.60%	9.67	0.28%	38.52
Mphasis Pte Limited	0.67%	675.33	0.53%	64.70	0.90%	14.54	0.57%	79.24
Mphasis Infrastructure Services Inc.	-1.31%	(1,313.83)	-0.16%	(19.07)	2.81%	45.55	0.19%	26.48
Mphasis UK Limited	10.51%	10,541.74	-2.54%	(310.74)	5.11%	82.85	-1.64%	(227.89)
Mphasis Wyde Inc.	10.11%	10,143.46	-1.58%	(193.21)	9.14%	148.32	-0.32%	(44.89)
Mphasis Philippines Inc.	0.01%	12.20	-0.04%	(4.80)	0.02%	0.29	-0.03%	(4.51)
Wyde Corporation Inc.	-0.99%	(993.42)	-0.48%	(58.94)	2.13%	34.54	-0.18%	(24.40)
Mphasis Wyde SASU	-0.83%	(833.85)	0.60%	72.87	-2.02%	(32.68)	0.29%	40.19
Wyde Solutions Canada Inc.	-0.10%	(101.66)	0.06%	7.31	-0.56%	(9.06)	-0.01%	(1.75)
Digital Risk LLC.	-0.20%	(196.69)	-3.64%	(445.40)	3.51%	56.85	-2.80%	(388.55)
Digital Risk Mortgage Services LLC.	5.75%	5,768.30	14.02%	1,716.05	-10.85%	(176.06)	11.11%	1,539.99
Investor Services, LLC	0.72%	718.49	0.00%	(0.01)	-1.55%	(25.11)	-0.18%	(25.12)
Digital Risk Valuation Services LLC.	-1.23%	(1,238.43)	0.00%	(0.05)	2.67%	43.28	0.31%	43.23
Stelligent Systems LLC.	-0.16%	(162.24)	-0.43%	(52.87)	0.26%	4.29	-0.35%	(48.58)
Datalytyx Limited	0.33%	326.69	-0.70%	(86.00)	0.32%	5.19	-0.58%	(80.81)
Datalytyx MSS Limited	0.02%	15.59	-0.02%	(1.85)	0.02%	0.35	-0.01%	(1.50)
Dynamyx Limited	0.02%	22.56	0.00%	(0.44)	0.03%	0.44	0.00%	-
Total foreign subsidiaries	**45.50%**	**45,648.92**	**6.21%**	**760.44**	**14.99%**	**243.25**	**7.24%**	**1,003.69**
Sub total	**100.00%**	**100,323.85**	**100.00%**	**12,239.96**	**100.00%**	**1,622.19**	**100.00%**	**13,862.15**
Adjustment arising out of consolidation		(35,056.75)		(71.91)		(659.47)		(731.38)
Total		**65,267.10**		**12,168.05**		**962.72**		**13,130.77**

31 March 2020	Consolidated net assets		Consolidated profit or loss		Consolidated OCI		Consolidated total Comprehensive income	
Name of the entity	**Percentage**	**₹ million**	**Percentage**	**₹ million**	**Percentage**	**₹ million**	**Percentage**	**₹ million**
Parent								
Mphasis Limited	39.90%	36,772.02	86.60%	12,050.55	109.56%	(1,194.21)	84.60%	10,856.34
Indian subsidiaries								
Msource (India) Private Limited	10.30%	9,451.07	4.30%	597.01	2.69%	(29.37)	4.42%	567.64
Mphasis Software and Services (India) Private Limited	1.90%	1,753.03	0.50%	67.86	0.00%	-	0.53%	67.86
Foreign subsidiaries								
Mphasis Corporation	8.70%	8,027.79	7.80%	1,089.39	-40.10%	437.10	11.89%	1,526.49
Mphasis Deutschland GmbH	-0.10%	(110.18)	-1.50%	(213.28)	0.10%	(1.14)	-1.67%	(214.42)
Mphasis Australia Pty Limited	0.30%	320.69	-1.50%	(205.42)	1.96%	(21.34)	-1.77%	(226.76)
Mphasis (Shanghai) Software & Services Company Limited	0.20%	197.19	0.10%	16.30	-0.60%	6.53	0.18%	22.83
Mphasis Consulting Limited	0.70%	633.74	0.10%	12.15	-1.84%	20.01	0.25%	32.16
Mphasis Ireland Limited	0.10%	54.20	0.10%	8.85	-0.27%	2.96	0.09%	11.81
Mphasis Belgium BV	0.70%	679.52	1.40%	197.11	-3.55%	38.66	1.84%	235.77
Mphasis Poland s.p.z.o.o	0.00%	(3.14)	0.00%	2.19	0.01%	(0.16)	0.02%	2.03
Msource Mauritius Inc.	0.70%	627.88	0.00%	(1.30)	-0.01%	0.13	-0.01%	(1.17)
PT. Mphasis Indonesia	0.00%	(0.79)	0.00%	(0.97)	0.00%	0.04	-0.01%	(0.93)
Mphasis Europe BV	12.70%	11,716.04	0.40%	58.40	-1.50%	16.30	0.58%	74.70
Mphasis Pte Limited	0.60%	596.10	0.30%	46.44	-1.92%	20.89	0.52%	67.33
Mphasis Infrastructure Services Inc.	-1.50%	(1,340.32)	0.20%	23.64	10.40%	(113.40)	-0.70%	(89.76)
Mphasis UK Limited	11.70%	10,769.64	1.10%	149.58	-2.76%	30.06	1.40%	179.64
Mphasis Wyde Inc.	11.10%	10,188.35	-1.80%	(252.47)	32.95%	(359.14)	-4.77%	(611.61)
Mphasis Philippines Inc.	0.00%	16.71	0.00%	(2.10)	-0.19%	2.08	0.00%	(0.02)
Wyde Corporation Inc.	-1.10%	(969.00)	0.80%	112.54	8.31%	(90.59)	0.17%	21.95
Mphasis Wyde SASU	-0.90%	(874.04)	-0.70%	(93.32)	4.92%	(53.63)	-1.15%	(146.95)
Wyde Solutions Canada Inc.	-0.10%	(99.92)	0.30%	42.82	0.40%	(4.32)	0.30%	38.50
Digital Risk LLC.	0.20%	191.86	-3.50%	(484.52)	10.68%	(116.41)	-4.68%	(600.93)
Digital Risk Mortgage Services LLC.	4.60%	4,207.26	5.90%	821.20	-34.37%	374.63	9.32%	1,195.83
Investor Services, LLC	0.80%	743.61	0.00%	(0.03)	-5.87%	63.98	0.50%	63.95
Digital Risk Valuation Services LLC.	-1.40%	(1,281.65)	0.00%	(0.42)	10.12%	(110.26)	-0.86%	(110.68)
Stelligent Systems LLC.	-0.10%	(113.66)	-0.90%	(119.07)	0.87%	(9.44)	-1.00%	(128.51)
Total foreign subsidiaries	**47.90%**	**44,177.88**	**8.60%**	**1,207.71**	**-12.25%**	**133.54**	**10.45%**	**1,341.25**
Sub total	**100.00%**	**92,154.00**	**100.00%**	**13,923.13**	**100.00%**	**(1,090.04)**	**100.00%**	**12,833.09**
Adjustment arising out of consolidation		(33,858.01)		(2,074.76)		1,829.10		(245.66)
Total		**58,295.99**		**11,848.37**		**739.06**		**12,587.43**

34. 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. Effective 1 April 2020, the Group reorganized its industry verticals. Consequently, the Emerging Industries segment has been split into two segments - Logistics and transportation and Others. Accordingly, the new business segments are: Banking and Capital Market, Logistics and transportation, Information Technology Communication and Entertainment, Insurance, and Others.

Effective 1 April 2020, the basis of cost allocation to all segments has been changed by considering certain expenses to be un-allocable expenditure as these are not directly related to the revenue generating activities. The revised segment results have been computed accordingly. The change in the cost allocation methodology has led to an increase in segment results by 1.88% on segment revenue for the year ended 31 March 2021. (year ended 31 March 2020: 1.80%).

Comparative information has been restated to give effect to the above changes.

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 ('Americas'), India, Europe, Middle East & Africa ('EMEA') and Rest of the World ('ROW').

(₹ million)

Business segments	Year ended 31 March 2021	Year ended 31 March 2020
Segment revenue		
Banking and Capital Market	49,860.69	40,084.96
Logistics and Transportation	12,681.47	12,131.40
Information Technology, Communication and Entertainment	12,924.95	13,971.23
Insurance	9,508.91	10,051.44
Others	11,944.35	11,999.22
Unallocated - hedge	302.74	197.12
Total segment revenue	**97,223.11**	**88,435.37**
Segment result		
Banking and Capital Market	12,203.60	10,536.82
Logistics and Transportation	5,121.86	4,416.05
Information Technology, Communication and Entertainment	2,629.05	3,033.73
Insurance	3,129.13	2,885.04
Others	4,226.25	3,862.31
Unallocated - hedge	302.74	197.12
Total segment result	**27,612.63**	**24,931.07**
Finance costs	(634.15)	(811.93)
Other income	1,329.45	1,778.20
Other unallocable expenditure	(12,001.85)	(10,743.54)
Profit before taxation	**16,306.08**	**15,153.80**
Income taxes	4,138.03	3,305.43
Profit after taxation	**12,168.05**	**11,848.37**

Revenue from three customer groups individually accounted for more than 10% of the total revenue for the year ended 31 March 2021 (31 March 2020: three).

Geographic revenues		
Americas	74,625.83	68,744.79
India	4,440.49	4,482.68
EMEA	11,667.90	9,887.10
ROW	6,186.15	5,123.68
Unallocated - hedge	302.74	197.12
Total	**97,223.11**	**88,435.37**

35. DISAGGREGATION OF REVENUE

Services rendered	Year ended 31 March 2021	Year ended 31 March 2020
Application Services	57,698.00	56,100.59
Business Process Services	25,108.71	14,925.48
Infrastructure Services	14,113.66	17,212.18
Unallocated - hedge	302.74	197.12
Total	**97,223.11**	**88,435.37**
Delivery location		
Onsite	56,544.41	51,094.02
Offshore	40,375.96	37,144.23
Unallocated - hedge	302.74	197.12
Total	**97,223.11**	**88,435.37**
Project type		
Time and material	56,769.96	52,286.20
Fixed price	24,794.45	23,051.57
Transaction based	15,355.96	12,900.48
Unallocated - hedge	302.74	197.12
Total	**97,223.11**	**88,435.37**
Market		
Direct	80,209.43	65,480.15
DXC	14,783.27	20,829.38
Others	1,927.67	1,928.72
Unallocated - hedge	302.74	197.12
Total	**97,223.11**	**88,435.37**

36. CAPITAL MANAGEMENT

The Group's objective is to maintain a strong capital base to ensure sustained growth in business. The capital management policy focusses to maintain an optimal structure that balances growth and maximizes shareholder value.

	As at 31 March 2021	As at 31 March 2020
Total equity attributable to the share holders of the Company (A)	65,267.10	58,295.99
Borrowings (B)	5,134.50	5,712.85
Total borrowings as a percentage of capital (B / C)	**7.29%**	**8.93%**
Total capital C (A+B)	**70,401.60**	**64,008.84**
Total equity as a percentage of total capital (A / C)	**92.71%**	**91.07%**

The Group is predominantly equity financed as evident from the capital structure table above. The Group is not subject to any externally imposed capital restrictions.

37. EMPLOYEE BENEFITS

a. Gratuity

In accordance with Indian laws, the Company and its subsidiaries in India operate a scheme of Gratuity which is a defined benefit plan. The gratuity plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service. Vesting occurs upon completion of five continuous years of service. The Company manages the plan through a trust. The trust is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives.

The following tables set out the status of the gratuity plan. (₹ million)

	Year ended 31 March 2021	Year ended 31 March 2020
Changes in present value of defined benefit obligations		
Obligations at beginning of the year	1,116.67	1,129.46
Service cost	115.81	57.12
Interest cost	64.82	74.71
Benefits paid	(94.23)	(107.35)
Re-measurement (gain) / loss (through OCI)	87.28	(37.27)
Obligations at end of the year	**1,290.35**	**1,116.67**
Change in plan assets		
Plan assets at beginning of the year, at fair value	418.77	347.24
Expected return on plan assets	33.89	27.39
Re-measurement gain / (loss) (through OCI)	(3.70)	0.88
Employer contributions	222.13	158.93
Benefits paid	(94.23)	(107.35)
Administration charges	(14.19)	(8.32)
Plan assets at end of the year	**562.67**	**418.77**
Present value of defined benefit obligation at the end of the year	1,290.35	1,116.67
Fair value of plan assets at the end of the year	562.67	418.77
Net liability recognised in the balance sheet	**(727.68)**	**(697.90)**
Expenses recognised in statement of profit and loss		
Service cost	115.81	57.12
Interest cost (net)	30.93	47.32
Net gratuity cost	**146.74**	**104.44**
Re-measurement gains / (losses) in OCI		
Actuarial (gain) / loss due to financial assumption changes	15.11	(1.47)
Actuarial (gain) / loss due to experience adjustments	72.17	(35.80)
Re-measurement - return on plan assets (greater) less than discount rate	3.70	(0.88)
Total expenses routed through OCI	**90.98**	**(38.15)**
Assumptions		
Discount rate	6.15%	6.47%
Expected rate of return on plan assets	6.15%	6.47%
Salary increase	4.00%	4.00%
Attrition rate	20% to 30%	20% to 30%
Retirement age	60 years	60 years
Future payouts (year ended 31 March)		
Year-1	198.33	173.66
Year-2	171.66	149.74
Year-3	150.83	129.71
Year-4	134.42	113.11
Year-5	114.72	98.29
Year-6-10	337.97	290.76
Year-10 and above	182.42	161.40

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:		
Insurer managed funds	100.00%	100.00%

Sensitivity analysis	Year ended 31 March 2021		Year ended 31 March 2020	
Change in discount rate	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Effect on the defined benefit obligation	(51.87)	47.90	(44.97)	41.63
Change in salary increase				
Effect on the defined benefit obligation	49.46	(52.71)	42.81	(45.60)

b. Provident Fund

In accordance with Indian law, all eligible employees of Mphasis Limited in India are entitled to receive benefits under the provident fund plan in which both the employee and employer (at a determined rate) contribute monthly to a Trust set up by the Company to manage the investments and distribute the amounts entitled to employees. This plan is a defined benefit plan as the Company is obligated to provide its members a rate of return which should, at the minimum, meet the interest rate declared by Government administered provident fund. A part of the Company's contribution is transferred to Government administered pension fund. The contributions made by the Company and the shortfall of interest, if any, are recognised as an expense in the consolidated statement of profit or loss under employee benefit expenses. In accordance with an actuarial valuation of provident fund liabilities on the basis of guidance issued by Actuarial Society of India and based on the assumptions as mentioned below, there is no deficiency in the interest cost as the present value of the expected future earnings of the fund is greater than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of Government administered provident fund.

The Group has carried out actuarial valuation only for defined benefit plan as at 31 March 2021. The actuary has provided a valuation for provident fund liabilities and based on the assumptions mentioned below, there is no shortfall in plan assets as at 31 March 2021 and 31 March 2020.

All eligible employees of Indian subsidiaries of the Company are entitled to receive benefits under the provident fund plan in which both the employee and employer (at a determined rate) contribute monthly to the Government administered provident fund plan. A part of the company's contribution is transferred to Government administered pension fund. This plan is a defined contribution plan as the obligation of the employer is limited to the monthly contributions made to the fund. The contributions made to the fund are recognised as an expense in profit and loss under employee benefit expenses.

The amount of plan assets disclosed below have 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: **(₹ million)**

	As at 31 March 2021	As at 31 March 2020
Plan assets at the year end	10,782.11	9,265.12
Present value of benefit obligation at year end	10,782.11	9,265.12
Asset recognized in balance sheet	-	-

The plan assets have been primarily invested in Government and debt securities in the pattern specified by Employee's Provident Fund Organisation.

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

Government of India (GOI) bond yield	5.92%	6.13%
Remaining term of maturity (in years)	12	12
Expected guaranteed rate of return	8.50%	8.50%

The Group has contributed ₹ 691.26 million during the year ended 31 March 2020 (31 March 2020: ₹ 644.63 million).

c. The Code on Social Security 2020 ('Code'), which received the Presidential Assent on 28 September 2020, subsumes nine regulations relating to social security, retirement, and employee benefits. The Code will have an impact on the contributions towards gratuity and provident fund made by the Company and its Indian subsidiaries The Ministry of Labour and Employment ('Ministry') has released draft rules for the Code on 13 November 2020 and has invited suggestions from stake holders. The suggestions received are under consideration by the Ministry. The effective date of the Code has not yet been notified and the related rules to ascertain the financial impact are yet to be finalized and notified. The Company and its Indian subsidiaries will assess the impact once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

38. FINANCIAL INSTRUMENTS

The carrying value of financial instruments by categories is as follows: **(₹ million)**

Particulars (as at 31 March 2021)	FVTPL	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortized cost	Total
Financial assets					
Cash and cash equivalents	-	-	-	7,711.44	**7,711.44**
Bank balances other than cash and cash equivalents	-	-	-	2,910.98	**2,910.98**
Investments	15,370.59	-	-	3,089.59	**18,460.18**
Trade receivables	-	-	-	9,294.82	**9,294.82**
Loans	-	-	-	2,016.10	**2,016.10**
Derivative assets	-	1,034.33	77.30	-	**1,111.63**
Unbilled receivables	-	-	-	9,210.05	**9,210.05**
Other financial assets	-	-	-	1,097.86	**1,097.86**
Total	**15,370.59**	**1,034.33**	**77.30**	**35,330.84**	**51,813.06**
Financial liabilities					
Borrowings	-	-	-	5,134.50	**5,134.50**
Lease liabilities	-	-	-	6,676.52	**6,676.52**
Trade payables	-	-	-	5,963.96	**5,963.96**
Derivative liabilities	-	103.31	9.43	-	**112.74**
Other financial liabilities	-	-	-	3,168.44	**3,168.44**
Total	**-**	**103.31**	**9.43**	**20,943.42**	**21,056.16**
Particulars (as at 31 March 2020)					
Financial assets					
Cash and cash equivalents	-	-	-	9,880.01	**9,880.01**
Bank balances other than cash and cash equivalents	-	-	-	1,377.02	**1,377.02**
Investments	9,820.23	-	-	3,436.27	**13,256.50**
Trade receivables	-	-	-	8,352.52	**8,352.52**
Loans	-	-	-	2,049.79	**2,049.79**
Derivative assets	-	196.53	128.05	-	**324.58**
Unbilled receivables	-	-	-	9,343.02	**9,343.02**
Other financial assets	-	-	-	388.18	**388.18**
Total	**9,820.23**	**196.53**	**128.05**	**34,826.81**	**44,971.62**
Financial liabilities					
Borrowings	-	-	-	5,712.85	**5,712.85**
Lease liabilities	-	-	-	7,241.00	**7,241.00**
Trade payables	-	-	-	6,666.81	**6,666.81**
Derivative liabilities	-	1,475.29	245.34	-	**1,720.63**
Other financial liabilities	-	-	-	3,072.90	**3,072.90**
Total	**-**	**1,475.29**	**245.34**	**22,693.56**	**24,414.19**

Fair value hierarchy (₹ million)

Particulars	As at 31 March 2021				As at 31 March 2020			
	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	**15,370.59**	12,955.32	2,415.27	-	**9,820.23**	8,214.92	1,605.31	-
Derivative assets	**1,111.63**	-	1,111.63	-	**324.58**	-	324.58	-
Liabilities								
Derivative liabilities	**112.74**	-	112.74	-	**1,720.63**	-	1,720.63	-

Offsetting financial assets with liabilities

The Group offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The quantitative information about offsetting financial asset is as follows:

	As at 31 March 2021	As at 31 March 2020
Gross amount of recognised trade receivables (net of provision for ECL)	11,409.72	13,150.09
Gross amount of factored trade receivables and volume discount set off in the balance sheet	(2,114.90)	(4,797.57)
Net amount presented in balance sheet	**9,294.82**	**8,352.52**

39. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Interest rate risk
- Liquidity risk
- Foreign currency exchange rate risk

The Group has a risk management policy / framework which covers risks associated with the financial assets and liabilities. The risk management policy / framework is approved by the Treasury committee. The focus of such framework is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Group.

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. Credit risk encompasses both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. The Group is exposed to credit risk from its operating activities (primarily trade receivables and unbilled receivables) and from its investing activities including deposits with banks and financial institutions, investments, derivative financial instruments, and other financial instruments.

Trade receivables

Credit risk is managed by each business unit subject to the Group's established policies, procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored. No customer group accounted for more than 10% of the accounts receivable for the year ended 31 March 2021 (31 March 2020: One customer group). Two customer groups individually accounted for more than 10% of unbilled receivables for the year ended 31 March 2021 (31 March 2020: Three customer groups).

Credit risk exposure

The Group's credit period generally ranges from 30 – 60 days. The particulars of outstandings are as below:

Particulars	As at 31 March 2021	As at 31 March 2020
Trade receivables	9,294.82	8,352.52
Unbilled receivables	9,210.05	9,343.02
Total	**18,504.87**	**17,695.54**

The concentration risk with respect to trade receivables and unbilled receivables is low since they are spread across multiple geographies and industries.

The allowance for lifetime expected credit loss for the years ended 31 March 2021 and 31 March 2020 was ₹ 251.81 million and ₹ 92.49 million respectively. The reconciliation is as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Balance as per previous financial statements	214.17	114.63
Charge for the year	251.81	92.49
Translation exchange differences	(0.16)	7.05
Closing balance	**465.82**	**214.17**

Impact of Covid-19

Trade receivables and unbilled receivables of ₹ 18,504.87 million as at 31 March 2021 forms a significant part of the financial assets carried at amortized cost which is valued considering provision for allowance using expected credit loss method. In addition to the historical pattern of credit loss, we have evaluated the likelihood of increased credit risk and consequential default considering the Covid-19 situation. This assessment considers the current collection pattern across various verticals and the financial strength of customers. The Group is closely monitoring the developments across various business verticals. Basis this assessment, provision made towards ECL is considered adequate.

Financial instruments and deposits with banks

Credit risk is limited as the Group 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, fixed maturity plans securities, deposits and bonds issued by Government owned entities and highly rated financial institutions. Counterparty credit limits are reviewed by the Group periodically and the limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. Pursuant to the impact of Covid-19, the Group has assessed the counterparty credit risk and concluded the carrying / fair value, as applicable, of the investments, financial instruments and deposits with banks to be appropriate. One bank individually accounted for more than 10% of the Group's deposits and bank balances as at 31 March 2021 (31 March 2020: three banks).

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. The Group's investments are primarily in fixed rate interest bearing investments. Hence, the Group is not significantly exposed to interest rate risk.

LIQUIDITY RISK

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group's principal sources of liquidity are cash and cash equivalents, bank balances other than cash and cash equivalents, current investments and the cash flow that is generated from operations. The Group believes that these sources are 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: **(₹ million)**

Particulars	As at 31 March 2021	As at 31 March 2020
Cash and cash equivalents	7,711.44	9,880.01
Bank balances other than cash and cash equivalents	2,910.98	1,377.02
Current investments	15,345.90	9,777.80
Total	**25,968.32**	**21,034.83**

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

Financial liabilities (As at 31 March 2021)	On demand	0-180 days	180-365 days	365 days and above	Total
Trade payables	35.78	5,928.18	-	-	**5,963.96**
Borrowings	-	5,134.50	-	-	**5,134.50**
Lease liabilities	-	890.66	832.79	6,572.60	**8,296.05**
Other financial liabilities	28.57	3,212.92	-	39.69	**3,281.18**
Total financial liabilities	**64.35**	**15,166.26**	**832.79**	**6,612.29**	**22,675.69**
Financial liabilities (As at 31 March 2020)					
Trade payables	681.87	5,984.94	-	-	**6,666.81**
Borrowings	-	5,712.85	-	-	**5,712.85**
Lease liabilities	-	996.66	872.41	7,384.39	**9,253.46**
Other financial liabilities	27.25	4,135.46	-	630.82	**4,793.53**
Total financial liabilities	**709.12**	**16,829.91**	**872.41**	**8,015.21**	**26,426.65**

FOREIGN CURRENCY EXCHANGE RATE RISK

The fluctuation in foreign currency exchange rates may have a potential impact on the consolidated statement of profit and loss and other comprehensive income, where transactions are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Group operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries.

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'). The 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 and financing activities (when revenue or expense is denominated in a foreign currency).

The 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.

As at 31 March 2021		**₹ million**			
Financial assets	**USD**	**GBP**	**EUR**	**Others**	**Total**
Trade receivables	2,782.80	250.61	320.38	269.11	**3,622.90**
Cash and cash equivalents	4,446.01	-	9.03	17.02	**4,472.06**
Other financial assets	6.15	-	-	12.21	**18.36**
Unbilled receivables	4,057.62	104.86	169.76	144.13	**4,476.37**
Total financial assets	**11,292.58**	**355.47**	**499.17**	**442.47**	**12,589.69**
Financial liabilities					
Trade payables	41.47	-	0.19	61.37	**103.03**
Borrowings	731.10	-	-	-	**731.10**
Other financial liabilities	13.12	-	-	-	**13.12**
Total financial liabilities	**785.69**	**-**	**0.19**	**61.37**	**847.25**
Net financial assets	**10,506.89**	**355.47**	**498.98**	**381.10**	**11,742.44**
As at 31 March 2020					
Financial assets	**USD**	**GBP**	**EUR**	**Others**	**Total**
Trade receivables	2,090.20	154.11	289.09	241.60	**2,775.00**
Cash and cash equivalents	3,349.28	-	-	14.21	**3,363.49**
Other financial assets	19.85	0.75	-	-	**20.60**
Unbilled receivables	2,885.67	82.59	181.63	182.84	**3,332.73**
Total financial assets	**8,345.00**	**237.45**	**470.72**	**438.65**	**9,491.82**
Financial liabilities					
Trade payables	265.11	0.79	2.17	2.45	**270.52**
Borrowings	2,345.62	-	-	-	**2,345.62**
Other financial liabilities	16.59	-	-	-	**16.59**
Total financial liabilities	**2,627.32**	**0.79**	**2.17**	**2.45**	**2,632.73**
Net financial assets	**5,717.68**	**236.66**	**468.55**	**436.20**	**6,859.09**

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 marketplace.

Forward contracts outstanding against financial assets are as below:

Currency	As at 31 March 2021		As at 31 March 2020	
Balance sheet hedges	**Amount (million)**	**Amount in (₹ million)**	**Amount (million)**	**Amount in (₹ million)**
USD	104.17	7,616.10	102.02	7,719.58
GBP	3.43	345.74	1.97	184.20
EUR	5.23	448.19	3.68	304.30
CAD	2.05	118.76	2.94	156.16
AUD	3.95	220.04	2.87	132.08
SGD	-	-	0.47	24.79
SEK	5.93	49.68	5.64	42.12
Forward contracts outstanding against financial liabilities are as below:				
USD	10.00	731.10	31.56	2,387.99

Forward contracts outstanding against financial assets (within the group) are as below:

Currency	As at 31 March 2021		As at 31 March 2020	
Balance sheet hedges	**Amount (million)**	**Amount in (₹ million)**	**Amount (million)**	**Amount in (₹ million)**
USD	10.93	798.97	33.94	2,567.83
GBP	7.15	720.78	3.16	295.27
EUR	7.07	605.91	5.20	430.16
CAD	0.34	19.50	-	-
AUD	1.88	104.60	2.69	123.94
SGD	1.08	58.63	-	-
Forward contracts outstanding against financial liabilities (within the group) are as below:				
USD	2.72	198.86	7.36	557.02
GBP	1.19	119.41	3.42	320.18
EUR	0.58	49.94	0.28	23.18
AUD	0.66	36.76	-	-
CAD	0.31	17.78	-	-
NZD	0.45	23.03	-	-
PLN	0.38	6.97	-	-

Sensitivity analysis

For every 1% appreciation / depreciation of the respective foreign currencies, the Group's profit before taxes will be impacted by approximately ₹ 6.80 million for the year ended 31 March 2021 (31 March 2020: ₹ 5.00 million).

40. FAIR VALUES

Financial instruments carried at amortised cost such as cash and cash equivalents, other bank balances, trade receivables, loans, other financial assets, unbilled receivables, borrowings, trade payables and other financial liabilities are considered to be same as their fair values, due to the short-term nature of these instruments.

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 and non-convertible debentures 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.

41 HEDGING ACTIVITIES AND DERIVATIVES

The Group's revenue is denominated in various foreign currencies. Given the nature of business, a large part of the costs are denominated in INR. This exposes the Group to currency fluctuations. The Group uses foreign exchange forward contracts to manage exposure on some of its transactions. The counterparty, for all derivative financial instruments is a bank.

The Group has taken cash flow hedges on account of highly probable forecast transactions. Designated cash flow hedges are measured at FVTOCI. Other derivatives which are not designated as hedge are measured at FVTPL.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

The following are outstanding forward contracts which has been designated as cash flow hedges:

	As at 31 March 2021			As at 31 March 2020		
Currency	**Number of contracts**	**Notional amount (million)**	**Fair value gain / (loss) (₹ million)**	**Number of contracts**	**Notional amount (million)**	**Fair value gain / (loss) (₹ million)**
USD	452	599.50	947.19	492	549.20	(1,392.68)
GBP	76	14.31	(23.75)	84	15.53	36.50
EUR	100	24.33	59.46	95	19.21	25.03
CAD	53	13.25	(11.99)	12	7.88	9.62
AUD	77	17.19	(39.89)	70	9.88	42.77
Total			**931.02**			**(1,278.76)**

The Group has entered into derivative instruments not in hedging relationship by way of foreign exchange forwards. As at 31 March 2021 and 31 March 2020, the notional amount of outstanding contracts aggregated to ₹ 9,923.05 million and ₹ 8,692.06 million, respectively and the respective fair value of these contracts have a net gain of ₹ 67.88 million and net loss of ₹ 117.29 million.

The movement in cash flow hedging reserve for derivatives designated as cash flow hedge is as follows: **(₹ million)**

	Year ended 31 March 2021	**Year ended 31 March 2020**
Balance as per previous financial statements	(831.50)	416.85
Change in fair value of effective portion of cash flow hedges	2,512.52	(1,718.61)
(Gain) / loss transferred to statement of profit and loss on occurrence of forecasted hedges	(302.74)	(197.12)
Income tax effect on the above	(771.73)	667.38
Total	**606.55**	**(831.50)**

Sensitivity analysis

For every 1% appreciation / depreciation of the respective underlying foreign currencies, the Group's OCI will decrease / increase by approximately ₹ 489.00 million (31 March 2020: ₹ 451.00 million).

Impact of Covid-19

The Group basis their assessment believes that the probability of the occurrence of the forecasted transactions is not impacted by Covid-19 pandemic. The Group has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness. The Group continues to believe that there is no impact on effectiveness of its hedges.

42. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on 13 May 2021 have proposed a final dividend of ₹ 65 per equity share for the year ended 31 March 2021 which is subject to the approval of shareholders at the ensuing Annual General Meeting and if approved, would result in a cash outflow of approximately ₹ 12,157.73 million.

The accompanying notes are an integral part of the consolidated 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

Bengaluru
13 May 2021

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

Nitin Rakesh
Chief Executive Officer
New York

Narayanan Kumar
Director
Chennai

Manish Dugar
Chief Financial Officer
Bengaluru
13 May 2021

Subramanian Narayan
Senior Vice President & Company Secretary
Bengaluru