INFOSYS LIMITED AND SUBSIDIARIES

Condensed Consolidated Financial Statements under Indian Accounting Standards (Ind AS) for the three months ended June 30, 2021

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INFOSYS LIMITED AND SUBSIDIARIES

(In ₹ crore)

Condensed Consolidated Balance Sheets as at	Note	June 30, 2021	March 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	2.2	12,641	12,560
Right-of-use assets	2.19	4,560	4,794
Capital work-in-progress		779	922
Goodwill	2.3	6,197	6,079
Other intangible assets		2,024	2,072
Financial assets:			
Investments	2.4	11,989	11,863
Loans	2.5	46	32
Other financial assets	2.6	1,207	1,141
Deferred tax assets (net)		1,015	1,098
Income tax assets (net)		5,801	5,811
Other non-current assets	2.9	1,435	1,281
Total non-current assets		**47,694**	**47,653**
Current assets			
Financial assets:			
Investments	2.4	4,664	2,342
Trade receivables	2.7	20,421	19,294
Cash and cash equivalents	2.8	21,339	24,714
Loans	2.5	191	159
Other financial assets	2.6	7,006	6,410
Other Current assets	2.9	8,171	7,814
Total current assets		**61,792**	**60,733**
Total assets		**109,486**	**108,386**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.11	2,122	2,124
Other equity		69,749	74,227
Total equity attributable to equity holders of the Company		71,871	76,351
Non-controlling interests		442	431
Total equity		**72,313**	**76,782**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Lease liabilities	2.19	4,391	4,587
Other financial liabilities	2.12	1,628	1,514
Deferred tax liabilities (net)		840	875
Other non-current liabilities	2.13	776	763
Total non-current liabilities		**7,635**	**7,739**
Current liabilities			
Financial Liabilities			
Lease liabilities	2.19	740	738
Trade payables		2,668	2,645
Other financial liabilities	2.12	15,140	11,390
Other current liabilities	2.13	7,368	6,233
Provisions	2.14	726	713
Income tax liabilities (net)		2,896	2,146
Total current liabilities		**29,538**	**23,865**
Total equity and liabilities		**109,486**	**108,386**

The accompanying notes form an integral part of the interim condensed consolidated financial statements

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

for and on behalf of the Board of Directors of Infosys Limited

Sanjiv V. Pilgaonkar
Partner
Membership No. 039826

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive Officer and Managing Director

U.B. Pravin Rao
Chief Operating Officer and Whole-time Director

D. Sundaram
Director

Nilanjan Roy
Chief Financial Officer

Jayesh Sanghrajka
Executive Vice President and Deputy Chief Financial Officer

A.G.S. Manikantha
Company Secretary

Mumbai
July 14, 2021

Bengaluru
July 14, 2021

INFOSYS LIMITED AND SUBSIDIARIES

(In ₹ crore, except equity share and per equity share data)

Condensed Consolidated Statement of Profit and Loss	Note No.	Three months ended June 30,	
		2021	**2020**
Revenue from operations	2.16	27,896	23,665
Other income, net	2.17	622	475
Total income		**28,518**	**24,140**
Expenses			
Employee benefit expenses	2.18	15,230	13,604
Cost of technical sub-contractors		2,454	1,626
Travel expenses		133	116
Cost of software packages and others	2.18	1,289	893
Communication expenses		147	163
Consultancy and professional charges		396	262
Depreciation and amortisation expenses		829	756
Finance cost		49	48
Other expenses	2.18	815	880
Total expenses		**21,342**	**18,348**
Profit before tax		**7,176**	**5,792**
Tax expense:			
Current tax	2.15	1,937	1,321
Deferred tax	2.15	38	199
Profit for the period		**5,201**	**4,272**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset, net		(33)	147
Equity instruments through other comprehensive income, net		1	(1)
		(32)	**146**
Items that will be reclassified subsequently to profit or loss			
Fair value changes on derivatives designated as cash flow hedge, net		5	(6)
Exchange differences on translation of foreign operations		290	164
Fair value changes on investments, net		38	54
		333	**212**
Total other comprehensive income /(loss), net of tax		**301**	**358**
Total comprehensive income for the period		**5,502**	**4,630**
Profit attributable to:			
Owners of the Company		5,195	4,233
Non-controlling interests		6	39
		5,201	**4,272**
Total comprehensive income attributable to:			
Owners of the Company		5,491	4,586
Non-controlling interests		11	44
		5,502	**4,630**
Earnings per Equity share			
Equity shares of par value ₹5/- each			
Basic (₹)		12.24	9.98
Diluted (₹)		12.21	9.97
Weighted average equity shares used in computing earnings per equity share	2.20		
Basic		4,245,516,974	4,241,101,049
Diluted		4,253,310,685	4,246,278,846

The accompanying notes form an integral part of the interim condensed consolidated financial statements

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Chief Financial Officer

Jayesh Sanghrajka
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A.G.S. Manikantha
Company Secretary

Mumbai
July 14, 2021

Bengaluru
July 14, 2021

INFOSYS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Equity

(In ₹ crore)

Particulars		OTHER EQUITY														
		RESERVES & SURPLUS								Other comprehensive income						
	Equity Share capital [(1)]	Capital reserve	Capital redemption reserve	Securities Premium	Retained earnings	General reserve	Share Options Outstanding Account	Special Economic Zone Re-investment reserve [(2)]	Other reserves [(3)]	Equity instruments through other comprehensive income	Exchange differences on translating the financial statements of a foreign operation	Effective portion of Cash Flow Hedges	Other items of other comprehensive income / (loss)	Total equity attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance as at April 1, 2020	**2,122**	**54**	**111**	**282**	**56,309**	**1,158**	**297**	**4,070**	**6**	**39**	**1,207**	**(15)**	**(190)**	**65,450**	**394**	**65,844**
Changes in equity for the three months ended June 30, 2020																
Profit for the period	—	—	—	—	4,233	—	—	—	—	—	—	—	—	4,233	39	4,272
Remeasurement of the net defined benefit liability/asset*	—	—	—	—	—	—	—	—	—	—	—	—	147	147	—	147
Equity instruments through other comprehensive income*	—	—	—	—	—	—	—	—	—	(1)	—	—	—	(1)	—	(1)
Fair value changes on derivatives designated as cash flow hedge*	—	—	—	—	—	—	—	—	—	—	—	(6)	—	(6)	—	(6)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	159	—	—	159	5	164
Fair value changes on investments*	—	—	—	—	—	—	—	—	—	—	—	—	54	54	—	54
Total Comprehensive income for the period	**—**	**—**	**—**	**—**	**4,233**	**—**	**—**	**—**	**—**	**(1)**	**159**	**(6)**	**201**	**4,586**	**44**	**4,630**
Shares issued on exercise of employee stock options	—	—	—	3	—	—	—	—	—	—	—	—	—	3	—	3
Employee stock compensation expense *(Refer to Note 2.11)*	—	—	—	—	—	—	63	—	—	—	—	—	—	63	—	63
Exercise of stock options	—	—	—	37	—	—	(37)	—	—	—	—	—	—	—	—	—
Transfer on account of options not exercised	—	—	—	—	—	1	(1)	—	—	—	—	—	—	—	—	—
Dividends [(1)]	—	—	—	—	(4,029)	—	—	—	—	—	—	—	—	(4,029)	—	(4,029)
Transfer to general reserve	—	—	—	—	(1,554)	1,554	—	—	—	—	—	—	—	—	—	—
Transferred to Special Economic Zone Re-investment reserve	—	—	—	—	(731)	—	—	731	—	—	—	—	—	—	—	—
Transferred from Special Economic Zone Re-investment reserve on utilization	—	—	—	—	314	—	—	(314)	—	—	—	—	—	—	—	—
Balance as at June 30, 2020	**2,122**	**54**	**111**	**322**	**54,542**	**2,713**	**322**	**4,487**	**6**	**38**	**1,366**	**(21)**	**11**	**66,073**	**438**	**66,511**

Condensed Consolidated Statement of Changes in Equity (contd.)

(In ₹ crore)

Particulars	Equity Share capital (1)	OTHER EQUITY												Total equity attributable to equity holders of the Company	Non-controlling interest	Total equity
		RESERVES & SURPLUS								Other comprehensive income						
		Capital reserve	Capital redemption reserve	Securities Premium	Retained earnings	General reserve	Share Options Outstanding Account	Special Economic Zone Re-investment reserve (2)	Other reserves (3)	Equity instruments through other comprehensive income	Exchange differences on translating the financial statements of a foreign operation	Effective portion of Cash Flow Hedges	Other items of other comprehensive income / (loss)			
Balance as at April 1, 2021	**2,124**	**54**	**111**	**600**	**62,643**	**2,715**	**372**	**6,385**	**6**	**158**	**1,331**	**10**	**(158)**	**76,351**	**431**	**76,782**
Changes in equity for the three months ended June 30, 2021																
Profit for the period	—	—	—	—	5,195	—	—	—	—	—	—	—	—	5,195	6	5,201
Remeasurement of the net defined benefit liability/asset*	—	—	—	—	—	—	—	—	—	—	—	—	(33)	(33)	—	(33)
Equity instruments through other comprehensive income*	—	—	—	—	—	—	—	—	—	1	—	—	—	1	—	1
Fair value changes on derivatives designated as cash flow hedge*	—	—	—	—	—	—	—	—	—	—	—	5	—	5	—	5
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	285	—	—	285	5	290
Fair value changes on investments*	—	—	—	—	—	—	—	—	—	—	—	—	38	38	—	38
Total Comprehensive income for the period	**—**	**—**	**—**	**—**	**5,195**	**—**	**—**	**—**	**—**	**1**	**285**	**5**	**5**	**5,491**	**11**	**5,502**
Shares issued on exercise of employee stock options	—	—	—	8	—	—	—	—	—	—	—	—	—	8	—	8
Employee stock compensation expense *(Refer to Note 2.11)*	—	—	—	—	—	—	103	—	—	—	—	—	—	103	—	103
Buyback of equity shares *(Refer to Notes 2.11 and 2.12)* **	(2)	—	—	—	(2,848)	(849)	—	—	—	—	—	—	—	(3,699)	—	(3,699)
Transaction costs relating to buyback*	—	—	—	—	—	(17)	—	—	—	—	—	—	—	(17)	—	(17)
Amount transferred to capital redemption reserve upon buyback	—	—	2	—	—	(2)	—	—	—	—	—	—	—	—	—	—
Transfer on account of exercise of stock options	—	—	—	51	—	—	(51)	—	—	—	—	—	—	—	—	—
Income tax benefit arising on exercise of stock options	—	—	—	3	—	—	—	—	—	—	—	—	—	3	—	3
Dividends (1)	—	—	—	—	(6,369)	—	—	—	—	—	—	—	—	(6,369)	—	(6,369)
Transferred to Special Economic Zone Re-investment reserve	—	—	—	—	(748)	—	—	748	—	—	—	—	—	—	—	—
Transferred from Special Economic Zone Re-investment reserve on utilization	—	—	—	—	218	—	—	(218)	—	—	—	—	—	—	—	—
Balance as at June 30, 2021	**2,122**	**54**	**113**	**662**	**58,091**	**1,847**	**424**	**6,915**	**6**	**159**	**1,616**	**15**	**(153)**	**71,871**	**442**	**72,313**

* *Net of tax*

** *Including tax on buyback of ₹699 crore*

(1) *Net of treasury shares*

(2) *The Special Economic Zone Re-investment Reserve has been created out of the profit of eligible SEZ units in terms of the provisions of Sec 10AA(1)(ii) of Income Tax Act,1961. The reserve should be utilized by the Group for acquiring new plant and machinery for the purpose of its business in the terms of the Sec 10AA(2) of the Income Tax Act, 1961.*

(3) *Under the Swiss Code of Obligation, few subsidiaries of Infosys Lodestone are required to appropriate a certain percentage of the annual profit to legal reserve which may be used only to cover losses or for measures designed to sustain the Company through difficult times, to prevent unemployment or to mitigate its consequences.*

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Mumbai
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July 14, 2021

INFOSYS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows

Accounting policy

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated. The Group considers all highly liquid investments that are readily convertible to known amounts of cash to be cash equivalents.

(In ₹ crore)

Particulars	Note No.	Three months ended June 30, 2021	2020
Cash flow from operating activities			
Profit for the period		5,201	4,272
Adjustments to reconcile net profit to net cash provided by operating activities:			
Income tax expense	2.15	1,975	1,520
Depreciation and amortization		829	756
Interest and dividend income	2.18	(486)	(381)
Finance cost		49	48
Impairment loss recognized / (reversed) under expected credit loss model		44	99
Exchange differences on translation of assets and liabilities, net		115	24
Stock compensation expense	2.11	110	76
Other adjustments		(90)	19
Changes in assets and liabilities			
Trade receivables and unbilled revenue		(2,242)	(436)
Loans, other financial assets and other assets		188	86
Trade payables		22	(89)
Other financial liabilities, other liabilities and provisions		1,909	393
Cash generated from operations		**7,624**	**6,387**
Income taxes paid		(1,161)	(717)
Net cash generated by operating activities		**6,463**	**5,670**
Cash flows from investing activities			
Expenditure on property, plant and equipment and intangibles		(506)	(417)
Deposits placed with corporation		(166)	(121)
Interest and dividend received		583	376
Payment of contingent consideration pertaining to acquisition of business		(53)	(150)
Escrow and other deposits pertaining to Buyback	2.6	(320)	—
Other receipts		12	12
Other payments		(22)	—
Payments to acquire Investments			
Liquid mutual funds and fixed maturity plan securities		(11,781)	(5,050)
Certificates of deposit		(249)	—
Government securities		(404)	(3,076)
Others		(3)	(1)
Proceeds on sale of Investments			
Non-convertible debentures		50	345
Government securities		—	822
Certificates of deposit		—	250
Liquid mutual funds and fixed maturity plan securities		10,012	5,785
Others		—	22
Net cash (used in) / from investing activities		**(2,847)**	**(1,203)**

Cash flows from financing activities:			
Payment of lease liabilities		(208)	(139)
Payment of dividends		(6,370)	—
Payment of dividend to non-controlling interest of subsidiary		—	—
Shares issued on exercise of employee stock options		8	3
Other receipts		45	—
Buyback of equity shares including transaction cost		(532)	—
Net cash used in financing activities		**(7,057)**	**(136)**
Net increase / (decrease) in cash and cash equivalents		(3,441)	4,331
Cash and cash equivalents at the beginning of the period	2.8	24,714	18,649
Effect of exchange rate changes on cash and cash equivalents		66	59
Cash and cash equivalents at the end of the period		**21,339**	**23,039**
Supplementary information:			
Restricted cash balance	2.8	528	387
Closing cash and cash equivalents as per consolidated statement of cash flows		21,339	23,039
Less: Earmarked bank balance for dividend		—	(4,046)
Closing cash and cash equivalents as per Consolidated Balance Sheet	**2.8**	**21,339**	**18,993**

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July 14, 2021

INFOSYS LIMITED AND SUBSIDIARIES

Notes to the interim condensed Consolidated financial statements

1. Overview

1.1 Company overview

Infosys Limited ('the Company' or Infosys) provides consulting, technology, outsourcing and next-generation digital services, to enable clients to execute strategies for their digital transformation. Infosys strategic objective is to build a sustainable organization that remains relevant to the agenda of clients, while creating growth opportunities for employees and generating profitable returns for investors. Infosys strategy is to be a navigator for our clients as they ideate, plan and execute on their journey to a digital future.

Infosys together with its subsidiaries and controlled trusts is hereinafter referred to as 'the Group'.

The Company is a public limited company incorporated and domiciled in India and has its registered office at Electronics city, Hosur Road, Bengaluru 560100, Karnataka, India. The Company has its primary listings on the BSE Ltd. and National Stock Exchange of India Limited. The Company's American Depositary Shares (ADS) representing equity shares are listed on the New York Stock Exchange (NYSE).

The Group's interim condensed consolidated financial statements are approved for issue by the Company's Board of Directors on July 14, 2021.

1.2 Basis of preparation of financial statements

These interim condensed consolidated financial statements are prepared in accordance with Indian Accounting Standard 34 (Ind AS 34), under the historical cost convention on accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') and guidelines issued by the Securities and Exchange Board of India (SEBI). Accordingly, these interim condensed consolidated financial statements do not include all the information required for a complete set of financial statements. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report for the year ended March 31, 2021. The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3 Basis of consolidation

Infosys consolidates entities which it owns or controls. The interim condensed consolidated financial statements comprise the financial statements of the Company, its controlled trusts and its subsidiaries. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Group companies are consolidated on a line-by-line basis and intra-group balances and transactions including unrealized gain / loss from such transactions are eliminated upon consolidation. These financial statements are prepared by applying uniform accounting policies in use at the Group. Non-controlling interests which represent part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Company, are excluded.

1.4 Use of estimates and judgments

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in *Note no. 1.5* . Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates and judgments are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the interim condensed consolidated financial statements.

Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):

The Group has considered the possible effects that may result from COVID-19 pandemic in the preparation of these interim condensed consolidated financial statements including the recoverability of carrying amounts of financial and non financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of the COVID-19 pandemic, the Group has, at the date of approval of these condensed financial statements, used internal and external sources of information including credit reports and related information and economic forecasts and expects that the carrying amount of these assets will be recovered. The impact of COVID-19 pandemic on the Group's financial statements may differ from that estimated as at the date of approval of these interim condensed consolidated financial statements.

1.5 Critical accounting estimates and judgments

a. Revenue recognition

The Group’s contracts with customers include promises to transfer multiple products and services to a customer. Revenues from customer contracts are considered for recognition and measurement when the contract has been approved, in writing, by the parties to the contract, the parties to contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligations to determine the deliverables and the ability of the customer to benefit independently from such deliverables, and allocation of transaction price to these distinct performance obligations involves significant judgment.

Fixed price maintenance revenue is recognized ratably on a straight-line basis when services are performed through an indefinite number of repetitive acts over a specified period. Revenue from fixed price maintenance contract is recognized ratably using a percentage of completion method when the pattern of benefits from the services rendered to the customer and the Group’s costs to fulfil the contract is not even through the period of the contract because the services are generally discrete in nature and not repetitive. The use of method to recognize the maintenance revenues requires judgment and is based on the promises in the contract and nature of the deliverables.

The Group uses the percentage-of-completion method in accounting for other fixed-price contracts. Use of the percentage-of-completion method requires the Group to determine the actual efforts or costs expended to date as a proportion of the estimated total efforts or costs to be incurred. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. The estimation of total efforts or costs involves significant judgment and is assessed throughout the period of the contract to reflect any changes based on the latest available information.

Provisions for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

b. Income taxes

The Group's two major tax jurisdictions are India and the U.S., though the Company also files tax returns in other overseas jurisdictions.

Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions.

In assessing the realizability of deferred income tax assets, the Management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, the Management believes that the Group will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. (Refer note no. 2.15 and note no. 2.21).

c. Business combinations and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Estimates are required to be made in determining the value of contingent consideration, value of option arrangements and intangible assets. These valuations are conducted by external valuation experts. These measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by the Management.

d. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by the Management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology *(Refer to Note 2.2)* .

e. Impairment of Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit (CGUs) is less than its carrying amount. For the impairment test, goodwill is allocated to the CGU or groups of CGUs which benefit from the synergies of the acquisition and which represent the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of CGUs is determined based on higher of value-in-use and fair value less cost to sell. Key assumptions in the cash flow projections are prepared based on current economic conditions and comprises estimated long term growth rates, weighted average cost of capital and estimated operating margins (Refer to Note 2.3).

f. Leases

As a lessee, the Group determines the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Group makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to Infosys's operations taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. After considering current and future economic conditions, the Group has concluded that no material changes are required to lease period relating to the existing lease contracts *(Refer to Note 2.19)* .

g. Allowance for credit losses on receivables and unbilled revenue

The Group determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered credit reports and other related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

2.1 BUSINESS COMBINATIONS

Accounting policy

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103, Business Combinations.

The purchase price in an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition, which is the date on which control is transferred to the Group. The purchase price also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition. Contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognized in the Consolidated Statement of Profit and Loss.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

Business combinations between entities under common control is accounted for at carrying value of the assets acquired and liabilities assumed in the Group's consolidated financial statements.

The payments related to options issued by the Group over the non-controlling interests in its subsidiaries are accounted as financial liabilities and initially recognized at the estimated present value of gross obligations. Such options are subsequently measured at fair value in order to reflect the amount payable under the option at the date at which it becomes exercisable. In the event that the option expires unexercised, the liability is derecognised.

Transaction costs that the Group incurs in connection with a business combination such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

2.2 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by the Management. The Group depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

Buildings [(1)]	22-25 years
Plant and machinery [(1)(2)]	5 years
Office equipment	5 years
Computer equipment [(1)]	3-5 years
Furniture and fixtures [(1)]	5 years
Vehicles[(1)]	5 years
Leasehold improvements	Lower of useful life of the asset or lease term

[(1)] *Based on technical evaluation, the Management believes that the useful lives as given above best represent the period over which the Management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013*

[(2)] *Includes Solar plant with a useful life of 20 years*

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance Sheet date is classified as capital advances under other non-current assets and the cost of assets not ready to use before such date are disclosed under ‘Capital work-in-progress’. Subsequent expenditures 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. Repairs and maintenance costs are recognized in the Consolidated Statement of Profit and Loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the Consolidated Statement of Profit and Loss.

Impairment

Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the 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 such assets are considered to be impaired, the impairment to be recognized in the Consolidated Statement of Profit and Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the Consolidated Statement of Profit and Loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years.

The changes in the carrying value of property, plant and equipment for the three months ended June 30, 2021 are as follows:

(In ₹ crore)

Particulars	Land - Freehold	Buildings [(1)]	Plant and machinery	Office Equipment	Computer equipment	Furniture and fixtures	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2021	**1,399**	**10,565**	**3,296**	**1,371**	**7,639**	**2,149**	**1,188**	**44**	**27,651**
Additions	1	152	25	18	336	16	38	—	586
Deletions	—	—	(1)	(4)	(52)	(2)	(9)	—	(68)
Translation difference	—	28	4	2	17	5	9	—	65
Gross carrying value as at June 30, 2021	**1,400**	**10,745**	**3,324**	**1,387**	**7,940**	**2,168**	**1,226**	**44**	**28,234**
Accumulated depreciation as at April 1, 2021	**—**	**(3,675)**	**(2,425)**	**(1,043)**	**(5,636)**	**(1,580)**	**(700)**	**(32)**	**(15,091)**
Depreciation	—	(101)	(57)	(29)	(247)	(53)	(50)	(1)	(538)
Accumulated depreciation on deletions	—	—	1	4	52	2	9	—	68
Translation difference	—	(4)	(3)	(2)	(13)	(4)	(6)	—	(32)
Accumulated depreciation as at June 30, 2021	**—**	**(3,780)**	**(2,484)**	**(1,070)**	**(5,844)**	**(1,635)**	**(747)**	**(33)**	**(15,593)**
Carrying value as at April 1, 2021	**1,399**	**6,890**	**871**	**328**	**2,003**	**569**	**488**	**12**	**12,560**
Carrying value as at June 30, 2021	**1,400**	**6,965**	**840**	**317**	**2,096**	**533**	**479**	**11**	**12,641**

The changes in the carrying value of property, plant and equipment for the three months ended June 30, 2020 are as follows:

(In ₹ crore)

Particulars	Land - Freehold	Buildings [(1)]	Plant and machinery	Office Equipment	Computer equipment	Furniture and fixtures	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2020	**1,318**	**10,016**	**3,185**	**1,265**	**6,676**	**2,073**	**1,063**	**45**	**25,641**
Additions	69	39	14	14	346	12	16	—	510
Deletions	—	—	(1)	(3)	(10)	(2)	(8)	—	(24)
Translation difference	—	2	—	—	7	—	2	—	11
Gross carrying value as at June 30, 2020	**1,387**	**10,057**	**3,198**	**1,276**	**7,019**	**2,083**	**1,073**	**45**	**26,138**
Accumulated depreciation as at April 1, 2020	**—**	**(3,284)**	**(2,145)**	**(934)**	**(4,885)**	**(1,380)**	**(550)**	**(28)**	**(13,206)**
Depreciation	—	(95)	(76)	(32)	(206)	(57)	(43)	(2)	(511)
Accumulated depreciation on deletions	—	—	1	3	10	2	8	—	24
Translation difference	—	(1)	—	—	(4)	—	—	—	(5)
Accumulated depreciation as at June 30, 2020	**—**	**(3,380)**	**(2,220)**	**(963)**	**(5,085)**	**(1,435)**	**(585)**	**(30)**	**(13,698)**
Carrying value as at April 1, 2020	**1,318**	**6,732**	**1,040**	**331**	**1,791**	**693**	**513**	**17**	**12,435**
Carrying value as at June 30, 2020	**1,387**	**6,677**	**978**	**313**	**1,934**	**648**	**488**	**15**	**12,440**

[(1)] *Buildings include ₹250/- being the value of five shares of ₹50/- each in Mittal Towers Premises Co-operative Society Limited.*

The aggregate depreciation has been included under depreciation and amortisation expense in the Consolidated Statement of Profit and Loss.

2.3 GOODWILL AND INTANGIBLE ASSETS

2.3.1 Goodwill

Accounting policy

Goodwill represents the purchase consideration in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired entity. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds purchase consideration, the fair value of net assets acquired is reassessed and the bargain purchase gain is recognized in capital reserve. Goodwill is measured at cost less accumulated impairment losses.

Impairment

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit (CGU) is less than its carrying amount. For the impairment test, goodwill is allocated to the CGU or groups of CGUs which benefit from the synergies of the acquisition. 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.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognized in the Consolidated Statement of Profit and Loss and is not reversed in the subsequent period.

Following is a summary of changes in the carrying amount of goodwill:

(In ₹ crore)

Particulars	As at	
	June 30, 2021	March 31, 2021
Carrying value at the beginning	**6,079**	**5,286**
Goodwill on acquisitions	—	758
Translation differences	118	35
Carrying value at the end	**6,197**	**6,079**

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or groups of CGUs, which benefit from the synergies of the acquisition.

2.3.2 Intangible assets

Accounting policy

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances). Amortization methods and useful lives are reviewed periodically including at each financial year end.

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has an intention and ability to complete and use or sell the software and the costs can be measured reliably. The costs which can be capitalized include the cost of material, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use.

Impairment

Intangible assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the 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 CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the Consolidated Statement of Profit and Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the Consolidated Statement of Profit and Loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization) had no impairment loss been recognized for the asset in prior years.

2.4 INVESTMENTS

(In ₹ crore)

Particulars	As at June 30, 2021	As at March 31, 2021
Non-current		
Unquoted		
Investments carried at fair value through other comprehensive income		
Preference securities	167	165
Equity instruments	2	2
	169	**167**
Investments carried at fair value through profit and loss		
Preference securities	11	11
Compulsorily convertible debentures	7	7
Others [1]	78	74
	96	**92**
Quoted		
Investments carried at amortized cost		
Tax free bonds	2,108	2,131
Government bonds	22	21
	2,130	**2,152**
Investments carried at fair value through other comprehensive income		
Non convertible debentures	3,732	3,985
Government securities	5,862	5,467
	9,594	**9,452**
Total non-current investments	**11,989**	**11,863**
Current		
Unquoted		
Investments carried at fair value through profit or loss		
Liquid mutual fund units	3,294	1,500
	3,294	**1,500**
Investments carried at fair value through other comprehensive income		
Certificates of deposit	250	—
	250	**—**
Quoted		
Investments carried at amortized cost		
Tax free bonds	20	—
	20	**—**
Investments carried at fair value through other comprehensive income		
Non convertible debentures	1,100	842
	1,100	**842**
Total current investments	**4,664**	**2,342**
Total investments	**16,653**	**14,205**
Aggregate amount of quoted investments	12,844	12,446
Market value of quoted investments (including interest accrued), current	1,126	843
Market value of quoted investments (including interest accrued), non current	12,142	11,997
Aggregate amount of unquoted investments	3,809	1,759
Investments carried at amortized cost	2,150	2,152
Investments carried at fair value through other comprehensive income	11,113	10,461
Investments carried at fair value through profit or loss	3,390	1,592

[1] Uncalled capital commitments outstanding as at June 30, 2021 and March 31, 2021 was ₹40 crore and ₹42 crore, respectively.

Refer to Note 2.10 for Accounting policies on Financial Instruments.

Method of fair valuation:

(In ₹ crore)

Class of investment	Method	Fair value as at June 30, 2021	Fair value as at March 31, 2021
Liquid mutual fund units	Quoted price	3,294	1,500
Tax free bonds and government bonds	Quoted price and market observable inputs	2,554	2,536
Non-convertible debentures	Quoted price and market observable inputs	4,832	4,827
Government securities	Quoted price	5,862	5,467
Certificate of deposits	Market observable inputs	250	—
Unquoted equity and preference securities - carried at fair value through other comprehensive income	Discounted cash flows method, Market multiples method, Option pricing model	169	167
Unquoted equity and preference securities - carried at fair value through profit and loss	Discounted cash flows method, Market multiples method, Option pricing model	11	11
Unquoted compulsorily convertible debentures - carried at fair value through profit and loss	Discounted cash flows method	7	7
Others	Discounted cash flows method, Market multiples method, Option pricing model	78	74
Total		**17,057**	**14,589**

Certain quoted investments are classified as Level 2 in the absence of active market for such investments.

2.5 LOANS

(In ₹ crore)

Particulars	As at June 30, 2021	As at March 31, 2021
Non Current		
Unsecured, considered good		
Other loans		
Loans to employees	46	32
	46	**32**
Unsecured, considered doubtful		
Other loans		
Loans to employees	24	28
	70	**60**
Less: Allowance for doubtful loans to employees	24	28
Total non-current loans	**46**	**32**
Current		
Unsecured, considered good		
Other loans		
Loans to employees	191	159
Total current loans	**191**	**159**
Total loans	**237**	**191**

2.6 OTHER FINANCIAL ASSETS

(In ₹ crore)

Particulars	As at June 30, 2021	As at March 31, 2021
Non Current		
Security deposits [1]	49	49
Rental deposits [1]	187	217
Unbilled revenues [1]#	461	399
Net investment in sublease of right of use asset [1]	348	350
Restricted deposits[1]*	61	42
Others [1]	101	84
Total non-current other financial assets	**1,207**	**1,141**
Current		
Security deposits [1]	6	6
Rental deposits [1]	58	30
Restricted deposits [1]*	2,162	2,016
Unbilled revenues [1]#	3,416	3,173
Interest accrued but not due [1]	513	620
Foreign currency forward and options contracts [2] [3]	64	188
Escrow and other deposits pertaining to buyback *(Refer to Note 2.11)* [1]	320	—
Net investment in sublease of right of use asset [1]	39	38
Others [1]	428	339
Total current other financial assets	**7,006**	**6,410**
Total other financial assets	**8,213**	**7,551**
[1] Financial assets carried at amortized cost	8,149	7,363
[2] Financial assets carried at fair value through other comprehensive income	33	25
[3] Financial assets carried at fair value through profit or loss	31	163

* Restricted deposits represent deposits with financial institutions to settle employee-related obligations as and when they arise during the normal course of business.

Classified as financial asset as right to consideration is unconditional and is due only after a passage of time.

2.7 TRADE RECEIVABLES

(In ₹ crore)

Particulars	As at June 30, 2021	As at March 31, 2021
Current		
Unsecured		
Considered good	20,421	19,294
Considered doubtful	657	619
	21,078	19,913
Less: Allowance for credit loss	657	619
Total trade receivables[1]	**20,421**	**19,294**
[1] *Includes dues from companies where directors are interested*	—	—

2.8 CASH AND CASH EQUIVALENTS

(In ₹ crore)

Particulars	As at June 30, 2021	As at March 31, 2021
Balances with banks		
In current and deposit accounts	16,875	20,069
Cash on hand	—	—
Others		
Deposits with financial institutions	4,464	4,645
Total cash and cash equivalents	**21,339**	**24,714**
Balances with banks in unpaid dividend accounts	32	33
Deposit with more than 12 months maturity	10,837	13,659
Balances with banks held as margin money deposits against guarantees	71	71

Cash and cash equivalents as at June 30, 2021 and March 31, 2021 include restricted cash and bank balances of ₹528 crore and ₹504 crore, respectively. The restrictions are primarily on account of bank balances held by irrevocable trusts controlled by the company and bank balances held as margin money deposits against guarantees.

The deposits maintained by the Group with banks and financial institutions comprise of time deposits, which can be withdrawn by the Group at any point without prior notice or penalty on the principal.

2.9 OTHER ASSETS

(In ₹ crore)

Particulars	As at June 30, 2021	As at March 31, 2021
Non Current		
Capital advances	140	141
Advances other than capital advances		
Others		
Withholding taxes and others	705	705
Unbilled revenues #	261	195
Defined benefit plan assets	23	19
Prepaid expenses	78	78
Deferred Contract Cost	228	143
Total Non-Current other assets	**1,435**	**1,281**
Current		
Advances other than capital advances		
Payment to vendors for supply of goods	233	141
Others		
Unbilled revenues #	5,040	4,354
Withholding taxes and others	1,646	2,091
Prepaid expenses	1,176	1,160
Deferred Contract Cost	75	65
Other receivables	1	3
Total Current other assets	**8,171**	**7,814**
Total other assets	**9,606**	**9,095**

Classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Withholding taxes and others primarily consist of input tax credits and Cenvat recoverable from Government of India.

2.10 FINANCIAL INSTRUMENTS

Accounting policy

2.10.1 Initial recognition

The Group recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

2.10.2 Subsequent measurement

a. Non-derivative financial instruments

(i) Financial assets carried at amortized cost

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset 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.

(ii) Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model 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. The Group has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

(iii) Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories is subsequently fair valued through profit or loss.

(iv) Financial liabilities

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

b. Derivative financial instruments

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

(i) Financial assets or financial liabilities, at fair value through profit or loss.

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

Although the Group believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated as hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Consolidated Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income. Assets/ liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the Balance Sheet date.

(ii) Cash flow hedge

The Group designates certain foreign exchange forward and options 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 net profit 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 net profit in the Consolidated Statement of Profit and Loss.

2.10.3 Derecognition of financial instruments

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

2.10.4 Fair value of financial instruments

In determining the fair value of its financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

Refer to table 'Financial instruments by category' below for the disclosure on carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amounts approximates fair value due to the short maturity of these instruments.

2.10.5 Impairment

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets and unbilled revenue which are not fair valued through profit or loss. Loss allowance for trade receivables and unbilled revenues with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, ECLs are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of ECLs (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recorded is recognized as an impairment gain or loss in Consolidated Statement of Profit and Loss.

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at June 30, 2021 are as follows:

(In ₹ crore)

Particulars	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value	
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory			
Assets:								
Cash and cash equivalents *(Refer to Note 2.8)*	21,339	—	—	—	—	21,339	21,339	
Investments *(Refer to Note 2.4)*								
Equity and preference securities	—	—	11	169	—	180	180	
Compulsorily convertible debentures	—	—	7	—	—	7	7	
Tax-free bonds and government bonds	2,150	—	—	—	—	2,150	2,554	(1)
Liquid mutual fund units	—	—	3,294	—	—	3,294	3,294	
Non convertible debentures	—	—	—	—	4,832	4,832	4,832	
Government securities	—	—	—	—	5,862	5,862	5,862	
Certificate of deposits	—	—	—	—	250	250	250	
Other investments	—	—	78	—	—	78	78	
Trade receivables *(Refer to Note 2.7)*	20,421	—	—	—	—	20,421	20,421	
Loans *(Refer to Note 2.5)*	237	—	—	—	—	237	237	
Other financials assets *(Refer to Note 2.6)* (3)	8,149	—	31	—	33	8,213	8,109	(2)
Total	**52,296**	**—**	**3,421**	**169**	**10,977**	**66,863**	**67,163**	
Liabilities:								
Trade payables	2,668	—	—	—	—	2,668	2,668	
Lease liabilities *(Refer to Note 2.19)*	5,131	—	—	—	—	5,131	5,131	
Financial Liability under option arrangements *(Refer to Note 2.12)*	—	—	713	—	—	713	713	
Other financial liabilities *(Refer to Note 2.12)*	13,560	—	140	—	3	13,703	13,703	
Total	**21,359**	**—**	**853**	**—**	**3**	**22,215**	**22,215**	

(1) *On account of fair value changes including interest accrued*

(2) *Excludes interest accrued on tax free bonds and government bonds carried at amortized cost of ₹104 crore*

(3) *Excludes unbilled revenue on contracts where the right to consideration is dependent on completion of contractual milestones*

The carrying value and fair value of financial instruments by categories as at March 31, 2021 were as follows:

(In ₹ crore)

Particulars	**Amortised cost**	**Financial assets/ liabilities at fair value through profit or loss**		**Financial assets/liabilities at fair value through OCI**		**Total carrying value**	**Total fair value**
		Designated upon initial recognition	**Mandatory**	**Equity instruments designated upon initial recognition**	**Mandatory**		
Assets:							
Cash and cash equivalents *(Refer to Note 2.8)*	24,714	—	—	—	—	24,714	24,714
Investments *(Refer to Note 2.4)*							
Equity and preference securities	—	—	11	167	—	178	178
Compulsorily convertible debentures	—	—	7	—	—	7	7
Tax-free bonds and government bonds	2,152	—	—	—	—	2,152	2,536 (1)
Liquid mutual fund units	—	—	1,500	—	—	1,500	1,500
Non convertible debentures	—	—	—	—	4,827	4,827	4,827
Government securities	—	—	—	—	5,467	5,467	5,467
Other investments	—	—	74	—	—	74	74
Trade receivables *(Refer to Note 2.7)*	19,294	—	—	—	—	19,294	19,294
Loans *(Refer to Note 2.5)*	191	—	—	—	—	191	191
Other financials assets *(Refer to Note 2.6)* (3)	7,363	—	163	—	25	7,551	7,459 (2)
Total	**53,714**	—	**1,755**	**167**	**10,319**	**65,955**	**66,247**
Liabilities:							
Trade payables	2,645	—	—	—	—	2,645	2,645
Lease liabilities *(Refer to Note 2.19)*	5,325	—	—	—	—	5,325	5,325
Financial Liability under option arrangements *(Refer to Note 2.12)*	—	—	693	—	—	693	693
Other financial liabilities *(Refer to Note 2.12)*	9,877	—	217	—	—	10,094	10,094
Total	**17,847**	—	**910**	**—**	**—**	**18,757**	**18,757**

(1) *On account of fair value changes including interest accrued*

(2) *Excludes interest accrued on tax free bonds and government bonds carried at amortized cost of ₹92 crore*

(3) *Excludes unbilled revenue on contracts where the right to consideration is dependent on completion of contractual milestones*

For trade receivables and trade payables and other assets and payables maturing within one year from the Balance Sheet date, the carrying amounts approximate the fair value due to the short maturity of these instruments.

Fair value hierarchy

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

Level 2 - Inputs 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).

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as at June 30, 2021:

(In ₹ crore)

Particulars	**As at June 30, 2021**	**Fair value measurement at end of the reporting period using**		
		Level 1	**Level 2**	**Level 3**
Assets				
Investments in liquid mutual funds *(Refer to Note 2.4)*	3,294	3,294	—	—
Investments in tax-free bonds *(Refer to Note 2.4)*	2,531	1,643	888	—
Investments in government bonds *(Refer to Note 2.4)*	23	23	—	—
Investments in non convertible debentures *(Refer to Note 2.4)*	4,832	2,743	2,089	—
Investment in government securities *(Refer to Note 2.4)*	5,862	5,857	5	—
Investments in equity instruments *(Refer to Note 2.4)*	2	—	—	2
Investments in preference securities *(Refer to Note 2.4)*	178	—	—	178
Investments in certificate of deposits *(Refer to Note 2.4)*	250	—	250	—
Investments in compulsorily convertible debentures *(Refer to Note 2.4)*	7	—	—	7
Other investments *(Refer to Note 2.4)*	78	—	—	78
Derivative financial instruments - gain on outstanding foreign exchange forward and option contracts *(Refer to Note 2.6)*	64	—	64	—
Liabilities				
Derivative financial instruments - loss on outstanding foreign exchange forward and option contracts *(Refer to Note 2.12)*	50	—	50	—
Financial liability under option arrangements	713	—	—	713
Liability towards contingent consideration *(Refer to Note 2.12)* (1)	93	—	—	93

(1) *Discount rate pertaining to contingent consideration ranges from 8% to 14.5%*

During the three months ended June 30, 2021, tax free bonds of ₹537 crore were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on quoted price. Further, tax free bonds and non-convertible debentures of ₹2,053 crore was transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

The fair value hierarchy of assets and liabilities as at March 31, 2021 was as follows:

(In ₹ crore)

Particulars	As at March 31, 2021	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual funds *(Refer to Note 2.4)*	1,500	1,500	—	—
Investments in tax free bonds *(Refer to Note 2.4)*	2,513	1,352	1,161	—
Investments in government bonds *(Refer to Note 2.4)*	23	23	—	—
Investments in non convertible debentures *(Refer to Note 2.4)*	4,827	4,532	295	—
Investment in government securities *(Refer to Note 2.4)*	5,467	5,467	—	—
Investments in equity instruments *(Refer to Note 2.4)*	2	—	—	2
Investments in preference securities *(Refer to Note 2.4)*	176	—	—	176
Investments in compulsorily convertible debentures *(Refer to Note 2.4)*	7	—	—	7
Other investments *(Refer to Note 2.4)*	74	—	—	74
Derivative financial instruments - gain on outstanding foreign exchange forward and option contracts *(Refer to Note 2.6)*	188	—	188	—
Liabilities				
Derivative financial instruments - loss on outstanding foreign exchange forward and option contracts *(Refer to Note 2.12)*	56	—	56	—
Financial liability under option arrangements	693	—	—	693
Liability towards contingent consideration *(Refer to Note 2.12)* [(1)]	161	—	—	161

[(1)] *Discount rate pertaining to contingent consideration ranges from 8% to 14.5%*

During the year ended March 31, 2021, tax free bonds and non-convertible debentures of ₹107 crore were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on quoted price. Further, tax free bonds and non-convertible debentures of ₹1,177 crore was transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

A one percentage point change in the unobservable inputs used in fair valuation of Level 3 assets and liabilities does not have a significant impact in its value.

Majority of investments of the Group are fair valued based on Level 1 or Level 2 inputs. These investments primarily include investment in liquid mutual fund units, fixed maturity plan securities, certificates of deposit, commercial papers, quoted bonds issued by government and quasi-government organizations and non convertible debentures. The Group invests after considering counterparty risks based on multiple criteria including Tier I capital, Capital Adequacy Ratio, Credit Rating, Profitability, NPA levels and Deposit base of banks and financial institutions. These risks are monitored regularly as per its risk management program.

2.11 EQUITY

Accounting policy

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares, share options and buyback are recognized as a deduction from equity, net of any tax effects.

Treasury Shares

When any entity within the Group purchases the company's ordinary shares, the consideration paid including any directly attributable incremental cost is presented as a deduction from total equity, until they are cancelled, sold or reissued. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from securities premium.

Description of reserves

Capital Redemption Reserve

In accordance with section 69 of the Indian Companies Act, 2013, the Company creates capital redemption reserve equal to the nominal value of the shares bought back as an appropriation from general reserve.

Retained earnings

Retained earnings represent the amount of accumulated earnings of the Group.

Securities premium

The amount received in excess of the par value has been classified as securities premium.

Share options outstanding account

The share options outstanding account is used to record the fair value of equity-settled share based payment transactions with employees. The amounts recorded in share options outstanding account are transferred to securities premium upon exercise of stock options and transferred to general reserve on account of stock options not exercised by employees.

Special Economic Zone Re-investment reserve

The Special Economic Zone Re-investment reserve has been created out of the profit of the eligible SEZ unit in terms of the provisions of Sec 10AA (1)(ii) of Income Tax Act, 1961. The reserve should be utilized by the Company for acquiring new plant and machinery for the purpose of its business in terms of the provisions of the Sec 10AA (2) of the Income Tax Act, 1961.

Other components of equity

Other components of equity include currency translation, remeasurement of net defined benefit liability / asset, equity instruments fair valued through other comprehensive income, changes on fair valuation of investments and changes in fair value of derivatives designated as cash flow hedges, net of taxes.

Currency translation reserve

The exchange differences arising from the translation of financial statements of foreign subsidiaries with functional currency other than Indian rupees is recognized in other comprehensive income and is presented within equity.

Cash flow hedge reserve

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. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the Consolidated Statement of Profit and Loss upon the occurrence of the related forecasted transaction.

EQUITY SHARE CAPITAL

(In ₹ crore, except as otherwise stated)

Particulars	As at	
	June 30, 2021	March 31, 2021
Authorized		
Equity shares, ₹5 par value		
480,00,00,000 (480,00,00,000) equity shares	2,400	2,400
Issued, Subscribed and Paid-Up		
Equity shares, ₹5 par value[(1)]	2,122	2,124
4,24,17,36,856 (424,51,46,114) equity shares fully paid-up[(2)]		
	2,122	**2,124**

Note: Forfeited shares amounted to ₹1,500 (₹1,500)

[(1)] *Refer to Note 2.20 for details of basic and diluted shares*

[(2)] *Net of treasury shares 1,51,44,907 (1,55,14,732)*

The Company has only one class of shares referred to as equity shares having a par value of ₹5. Each holder of equity shares is entitled to one vote per share. The equity shares represented by American Depositary Shares (ADS) carry similar rights to voting and dividends as the other equity shares. Each ADS represents one underlying equity share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company in proportion to the number of equity shares held by the shareholders, after distribution of all preferential amounts. However, no such preferential amounts exist currently, other than the amounts held by irrevocable controlled trusts. For irrevocable controlled trusts, the corpus would be settled in favour of the beneficiaries.

For details of shares reserved for issue under the employee stock option plan of the Company refer to the note below.

The reconciliation of the number of shares outstanding and the amount of share capital as at June 30, 2021 and March 31, 2021 are as follows:

(In ₹ crore, except as stated otherwise)

Particulars	As at June 30, 2021		As at March 31, 2021	
	Shares	Amount	Shares	Amount
As at the beginning of the period	**4,245,146,114**	**2,124**	**4,240,753,210**	**2,122**
Add: Shares issued on exercise of employee stock options	980,742	—	4,392,904	2
Less: Shares bought back	4,390,000	2	—	—
As at the end of the period	**4,241,736,856**	**2,122**	**4,245,146,114**	**2,124**

Capital allocation policy and buyback

Effective fiscal 2020, the Company expects to return approximately 85% of the free cash flow cumulatively over a 5-year period through a combination of semi-annual dividends and/or share buyback and/or special dividends, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure as per the Consolidated Statement of Cash Flows prepared under IFRS. Dividend and buyback include applicable taxes.

Update on buyback announced in April 2021:

In line with the capital allocation policy, the Board, at its meeting held on April 14, 2021, approved the buyback of equity shares, from the open market route through the Indian stock exchanges, amounting to ₹9,200 crore (Maximum Buyback Size, excluding buyback tax) at a price not exceeding ₹1,750 per share (Maximum Buyback Price), subject to shareholders' approval in the ensuing Annual General Meeting.

The shareholders approved the proposal of buyback of Equity Shares recommended by its Board of Directors in the Annual General meeting held on June 19, 2021. At the Maximum buyback price of ₹1,750 per equity share and the Maximum buyback size of ₹9,200 crore the indicative maximum number of equity shares bought back would be 5,25,71,428 Equity Shares (Maximum buyback shares) comprising approximately 1.23% of the paid-up equity share capital of the Company as of March 31, 2021 and as on June 22, 2021 the date of the Public Announcement for the buyback (on a standalone basis).

The buyback was offered to all eligible equity shareholders of the Company (other than the Promoters, the Promoter Group and Persons in Control of the Company) under the open market route through the stock exchange. The Company will fund the buyback from its free reserves. The buyback of equity shares through the stock exchange commenced on June 25, 2021 and is expected to be completed on or before December 24, 2021. During the quarter ended June 30, 2021 43,90,000 equity shares were purchased from the stock exchange which includes 11,02,000 shares which have been purchased but not extinguished as of June 30, 2021 and 11,02,000 shares which have been purchased but have not been settled and therefore not extinguished as of June 30, 2021.

In accordance with section 69 of the Companies Act, 2013, during the quarter ended June 30, 2021, the Company has created 'Capital Redemption Reserve' of ₹2 crore equal to the nominal value of the shares bought back as an appropriation from general reserve.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or buy back issued shares. As at June 30, 2021, the Company has only one class of equity shares and has no debt. Consequent to the above capital structure there are no externally imposed capital requirements.

Dividend

The final dividend 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. Income tax consequences of dividends on financial instruments classified as equity will be recognized according to where the entity originally recognized those past transactions or events that generated distributable profits.

The Company declares and pays dividends in Indian rupees. Companies are required to pay/distribute dividend after deducting applicable withholding income taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

Amount of per share dividend recognized as distribution to equity shareholders:

(in ₹)

Particulars	**Three months ended June 30,**	
	2021	**2020**
Final dividend for fiscal 2020	—	9.50
Final dividend for fiscal 2021	15.00	—

The Board of Directors in their meeting on April 14, 2021 recommended a final dividend of ₹15/- per equity share for the financial year ended March 31, 2021. The same was approved by the shareholders in the Annual General Meeting (AGM) of the Company held on June 19, 2021 which resulted in a net cash outflow of ₹6,369 crore (excluding dividend paid on treasury shares).

Employee Stock Option Plan (ESOP):

Accounting policy

The Group recognizes compensation expense relating to share-based payments in net profit based on estimated fair values of the awards on the grant date. The estimated fair value of awards is recognized as an expense in the statement of profit and loss on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding account.

Infosys Expanded Stock Ownership Program 2019 (the 2019 Plan) :

On June 22, 2019 pursuant to approval by the shareholders in the Annual General Meeting, the Board has been authorized to introduce, offer, issue and provide share-based incentives to eligible employees of the Company and its subsidiaries under the 2019 Plan. The maximum number of shares under the 2019 Plan shall not exceed 50,000,000 equity shares. To implement the 2019 Plan, up to 45,000,000 equity shares may be issued by way of secondary acquisition of shares by Infosys Expanded Stock Ownership Trust. The Restricted Stock Units (RSUs) granted under the 2019 Plan shall vest based on the achievement of defined annual performance parameters as determined by the administrator (Nomination and Remuneration Committee). The performance parameters will be based on a combination of relative Total Shareholder Return (TSR) against selected industry peers and certain broader market domestic and global indices and operating performance metrics of the Company as decided by administrator. Each of the above performance parameters will be distinct for the purposes of calculation of quantity of shares to vest based on performance. These instruments will generally vest between a minimum of 1 to maximum of 3 years from the grant date.

2015 Stock Incentive Compensation Plan (the 2015 Plan) :

On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board was authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 Plan shall not exceed 24,038,883 equity shares (this includes 11,223,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). The Company expects to grant the instruments under the 2015 Plan over the period of 4 to 7 years. The plan numbers mentioned above would further be adjusted for the September 2018 bonus issue.

The equity settled and cash settled RSUs and stock options would vest generally over a period of 4 years and shall be exercisable within the period as approved by the Nomination and Remuneration Committee (NARC). The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

Controlled trust holds 1,51,44,907 and 15,514,732 shares as at June 30, 2021 and March 31, 2021, respectively, under the 2015 Plan. Out of these shares, 200,000 equity shares each have been earmarked for welfare activities of the employees as at June 30, 2021 and March 31, 2021.

The following is the summary of grants during the three months ended June 30, 2021 and June 30, 2020:

Particulars	2019 Plan		2015 Plan	
	Three months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Equity Settled RSU				
KMPs	73,962	207,808	101,697	204,097
Employees other than KMP	—	—	—	24,600
Total Grants	**73,962**	**207,808**	**101,697**	**228,697**

Notes on grants to KMP:

CEO & MD

Under the 2015 Plan:

In accordance with the employee agreement which has been approved by the shareholders, the CEO is eligible to receive an annual grant of RSUs of fair value ₹3.25 crore which will vest overtime in three equal annual installments upon the completion of each year of service from the respective grant date. Though the annual time based grants for the remaining employment term ending on March 31, 2023 have not been granted as of June 30, 2021, since the service commencement date precedes the grant date, the Company has recorded employment stock compensation expense in accordance with Ind AS 102, Share based payments.

The Board, on April 14, 2021, based on the recommendations of the nomination and remuneration committee, in accordance with the terms of his employment agreement, approved the grant of performance-based RSUs of fair value of ₹13 crore for fiscal 2022 under the 2015 Plan. These RSUs will vest in line with the employment agreement based on achievement of certain performance targets. Accordingly, 96,150 performance based RSU's were granted effective May 2, 2021.

Under the 2019 Plan:

The Board, on April 14, 2021, based on the recommendations of the Nomination and Remuneration Committee, approved performance-based grant of RSUs amounting to ₹10 crore for fiscal 2022 under the 2019 Plan. These RSUs will vest in line with the employment agreement based on achievement of certain performance targets. Accordingly, 73,962 performance based RSU's were granted effective May 2, 2021.

Other KMPs

Under the 2015 Plan:

On April 14, 2021, based on the recommendations of the Nomination and Remuneration Committee, in accordance with employment agreement, the Board, approved performance-based grant of 5,547 RSUs to other KMP under the 2015 Plan. The grants were made effective May 2, 2021. The performance based RSUs will vest over three years based on certain performance targets.

Break-up of employee stock compensation expense:

(in ₹ crore)

Particulars	Three months ended June 30,	
	2021	2020
Granted to:		
KMP	17	17
Employees other than KMP	93	59
Total [(1)]	**110**	**76**
[(1)] *Cash-settled stock compensation expense included above*	7	13

The fair value of the awards are estimated using the Black-Scholes Model for time and non-market performance based options and Monte Carlo simulation model is used for TSR based options.

The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, expected term and the risk free rate of interest. Expected volatility during the expected term of the options is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the options. Expected volatility of the comparative company have been modelled based on historical movements in the market prices of their publicly traded equity shares during a period equivalent to the expected term of the options. Correlation coefficient is calculated between each peer entity and the indices as a whole or between each entity in the peer group.

The fair value of each equity settled award is estimated on the date of grant using the following assumptions:

Particulars	For options granted in			
	Fiscal 2022- Equity Shares- RSU	Fiscal 2022- ADS-RSU	Fiscal 2021- Equity Shares- RSU	Fiscal 2021- ADS-RSU
Weighted average share price (₹) / ($ ADS)	1,352	18.20	1,253	18.46
Exercise price (₹) / ($ ADS)	5.00	0.07	5.00	0.07
Expected volatility (%)	29-35	30-37	30-35	30-36
Expected life of the option (years)	1-4	1-4	1-4	1-4
Expected dividends (%)	2-3	2-3	2-3	2-3
Risk-free interest rate (%)	4-5	0.1-0.6	4-5	0.1-0.3
Weighted average fair value as on grant date (₹) / ($ ADS)	1,189	16.80	1,124	16.19

The expected life of the RSU/ESOP is estimated based on the vesting term and contractual term of the RSU/ESOP, as well as expected exercise behavior of the employee who receives the RSU/ESOP.

2.12 OTHER FINANCIAL LIABILITIES

(In ₹ crore)

Particulars	As at	
	June 30, 2021	March 31, 2021
Non-current		
Others		
Accrued compensation to employees [1]	9	—
Accrued expenses [1]	637	569
Compensated absences	95	97
Financial liability under option arrangements [2]	713	693
Payable for acquisition of business - Contingent consideration [2]	68	86
Other Payables [1]	106	69
Total non-current other financial liabilities	**1,628**	**1,514**
Current		
Unpaid dividends [1]	32	33
Others		
Accrued compensation to employees [1]	4,124	4,019
Accrued expenses [1]	5,448	4,475
Retention monies [1]	13	13
Payable for acquisition of business - Contingent consideration [2]	25	75
Payable by controlled trusts [1]	211	199
Fnancial liability relating to buyback *(Refer to Note 2.11)* [1] [4]	2,485	—
Compensated absences	2,257	2,020
Foreign currency forward and options contracts [2] [3]	50	56
Capital creditors [1]	325	371
Other payables [1]	170	129
Total current other financial liabilities	**15,140**	**11,390**
Total other financial liabilities	**16,768**	**12,904**
[1] Financial liability carried at amortized cost	13,560	9,877
[2] Financial liability carried at fair value through profit or loss	853	910
[3] Financial liability carried at fair value through other comprehensive income	3	—
Contingent consideration on undiscounted basis	110	181

[4] In accordance with Ind AS 32, Financial Instruments: Presentation, the Company has recorded a financial liability as at June 30, 2021 for the obligation to acquire its own equity shares to the extent of standing instructions provided to its registered broker for the buyback *(Refer to Note 2.11)* . The financial liability is recognised at the present value of the maximum amount that the Company would be required to pay to the registered broker for buyback, with a corresponding debit in general reserve / retained earnings.

2.13 OTHER LIABILITIES

(In ₹ crore)

Particulars	As at	
	June 30, 2021	March 31, 2021
Non-current		
Others		
Withholding taxes and others	370	364
Deferred income - government grants	58	57
Accrued defined benefit plan liability	331	324
Deferred income	15	17
Others	2	1
Total non-current other liabilities	**776**	**763**
Current		
Unearned revenue	4,278	4,050
Others		
Withholding taxes and others	2,381	2,170
Accrued defined benefit plan liability	3	6
Deferred income - government grants	3	3
Tax on buyback *(Refer to Note 2.11)*	699	—
Others	4	4
Total current other liabilities	**7,368**	**6,233**
Total other liabilities	**8,144**	**6,996**

2.14 PROVISIONS

Accounting policy

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

a. Post sales client support

The Group provides its clients with a fixed-period post sales support on its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time related revenues are recorded and included in Consolidated Statement of Profit and Loss. The Group estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

b. Onerous contracts

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.

Provision for post-sales client support and other provisions:

(In ₹ crore)

Particulars	**As at**	
	June 30, 2021	**March 31, 2021**
Current		
Others		
Post-sales client support and other provisions	726	713
Total provisions	**726**	**713**

Provision for post sales client support represents cost associated with providing post sales support services which are accrued at the time of recognition of revenues and are expected to be utilized over a period of 1 year.

2.15 INCOME TAXES

Accounting policy

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the Consolidated Statement of Profit and Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future.

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. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full financial year. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to income are credited to securities premium.

Income tax expense in the Consolidated Statement of Profit and Loss comprises:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2021	**2020**
Current taxes	1,937	1,321
Deferred taxes	38	199
Income tax expense	**1,975**	**1,520**

Income tax expense for the three months ended June 30, 2021 and June 30, 2020 includes reversal (net of provisions) of ₹13 crore and ₹131 crore, respectively. These reversals pertain to prior periods primarily on account of adjudication of certain disputed matters in favor of the Company and upon filing of tax return across various jurisdictions.

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

(In ₹ crore)

Particulars	Three months ended June 30,	
	2021	**2020**
Profit before income taxes	7,176	5,792
Enacted tax rates in India	34.94%	34.94%
Computed expected tax expense	2,507	2,024
Tax effect due to non-taxable income for Indian tax purposes	(666)	(547)
Overseas taxes	199	164
Tax provision (reversals)	(13)	(131)
Effect of exempt non-operating income	(19)	(9)
Effect of unrecognized deferred tax assets	—	17
Effect of differential tax rates	(31)	(28)
Effect of non-deductible expenses	37	38
Others	(39)	(8)
Income tax expense	**1,975**	**1,520**

The applicable Indian corporate statutory tax rate for the three months ended June 30, 2021 and June 30, 2020 is 34.94% each.

Deferred income tax for the three months ended June 30, 2021 and June 30, 2020 substantially relates to origination and reversal of temporary differences.

The Company's Advanced Pricing Arrangement (APA) with the Internal Revenue Service (IRS) for US branch income tax expired in March 2021. The Company is in the process of applying for renewal of APA and currently the US taxable income is based on the Company's best estimate determined based on the expected value method.

2.16 REVENUE FROM OPERATIONS

Accounting policy

The Group derives revenues primarily from IT services comprising software development and related services, cloud and infrastructure services, maintenance, consulting and package implementation, licensing of software products and platforms across the Group's core and digital offerings (together called as "software related services") and business process management services. Contracts with customers are either on a time-and-material, unit of work, fixed-price or on a fixed-timeframe basis.

Revenues from customer contracts are considered for recognition and measurement when the contract has been approved by the parties, in writing, to the contract, the parties to contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. Revenue is recognized upon transfer of control of promised products or services ("performance obligations") to customers in an amount that reflects the consideration the Group has received or expects to receive in exchange for these products or services ("transaction price"). When there is uncertainty as to collectability, revenue recognition is postponed until such uncertainty is resolved.

The Group assesses the services promised in a contract and identifies distinct performance obligations in the contract. The Group allocates the transaction price to each distinct performance obligation based on the relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In the absence of such evidence, the primary method used to estimate standalone selling price is the expected cost plus a margin, under which the Group estimates the cost of satisfying the performance obligation and then adds an appropriate margin based on similar services.

The Group's contracts may include variable consideration including rebates, volume discounts and penalties. The Group includes variable consideration as part of transaction price when there is a basis to reasonably estimate the amount of the variable consideration and when it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue on time-and-material and unit of work based contracts, are recognized as the related services are performed. Fixed price maintenance revenue is recognized ratably either on a straight-line basis when services are performed through an indefinite number of repetitive acts over a specified period or ratably using a percentage of completion method when the pattern of benefits from the services rendered to the customer and the Group's costs to fulfil the contract is not even through the period of contract because the services are generally discrete in nature and not repetitive. Revenue from other fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time is recognized using the percentage-of-completion method. Efforts or costs expended are used to determine progress towards completion as there is a direct relationship between input and productivity. Progress towards completion is measured as the ratio of costs or efforts incurred to date (representing work performed) to the estimated total costs or efforts. Estimates of transaction price and total costs or efforts are continuously monitored over the term of the contracts and are recognized in net profit in the period when these estimates change or when the estimates are revised. Revenues and the estimated total costs or efforts are subject to revision as the contract progresses. Provisions for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

The billing schedules agreed with customers include periodic performance based billing and / or milestone based progress billings. Revenues in excess of billing are classified as unbilled revenue while billing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

In arrangements for software development and related services and maintenance services, by applying the revenue recognition criteria for each distinct performance obligation, the arrangements with customers generally meet the criteria for considering software development and related services as distinct performance obligations. For allocating the transaction price, the Group measures the revenue in respect of each performance obligation of a contract at its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the Group is unable to determine the standalone selling price, the Group uses the expected cost plus margin approach in estimating the standalone selling price. For software development and related services, the performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Certain cloud and infrastructure services contracts include multiple elements which may be subject to other specific accounting guidance, such as leasing guidance. These contracts are accounted in accordance with such specific accounting guidance. In such arrangements where the Group is able to determine that hardware and services are distinct performance obligations, it allocates the consideration to these performance obligations on a relative standalone selling price basis. In the absence of standalone selling price, the Group uses the expected cost-plus margin approach in estimating the standalone selling price. When such arrangements are considered as a single performance obligation, revenue is recognized over the period and measure of progress is determined based on promise in the contract.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period.

Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS).When implementation services are provided in conjunction with the licensing arrangement and the license and implementation have been identified as two distinct separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. In the absence of standalone selling price for implementation, the Group uses the expected cost plus margin approach in estimating the standalone selling price. Where the license is required to be substantially customized as part of the implementation service the entire arrangement fee for license and implementation is considered to be a single performance obligation and the revenue is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the performance obligations are satisfied. ATS revenue is recognized ratably on a straight line basis over the period in which the services are rendered.

Contracts with customers includes subcontractor services or third-party vendor equipment or software in certain integrated services arrangements. In these types of arrangements, revenue from sales of third-party vendor products or services is recorded net of costs when the Group is acting as an agent between the customer and the vendor, and gross when the Group is the principal for the transaction. In doing so, the group first evaluates whether it controls the good or service before it is transferred to the customer. The Group considers whether it has the primary obligation to fulfil the contract, inventory risk, pricing discretion and other factors to determine whether it controls the goods or service and therefore is acting as a principal or an agent.

The incremental costs of obtaining a contract (i.e., costs that would not have been incurred if the contract had not been obtained) are recognized as an asset if the Group expects to recover them.

Certain eligible, nonrecurring costs (e.g. set-up or transition or transformation costs) that do not represent a separate performance obligation are recognized as an asset when such costs (a) relate directly to the contract; (b) generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future; and (c) are expected to be recovered.

Capitalized contract costs relating to upfront payments to customers are amortized to revenue and other capitalized costs are amortized to expenses over the respective contract life on a systematic basis consistent with the transfer of goods or services to customer to which the asset relates. Capitalized costs are monitored regularly for impairment. Impairment losses are recorded when present value of projected remaining operating cash flows is not sufficient to recover the carrying amount of the capitalized costs.

The Group presents revenues net of indirect taxes in its Consolidated Statement of Profit and Loss.

Revenue from operation for the three months ended June 30, 2021 and June 30, 2020 are as follows:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2021	2020
Revenue from software services	25,847	22,019
Revenue from products and platforms	2,049	1,646
Total revenue from operations	**27,896**	**23,665**

The Group has evaluated the impact of COVID – 19 pandemic on (i) the possibility of constraints in our ability to render services which may require revision of estimations of costs to complete the contract because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements; and (iv) termination or deferment of contracts by customers. The Group has concluded that the impact of COVID – 19 pandemic is not significant based on these estimates. Due to the nature of the COVID – 19 pandemic, the Group will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

Disaggregated revenue information

The table below presents disaggregated revenues from contracts with customers by geography and offerings for each of our business segments. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

For the three months ended June 30, 2021 and June 30, 2020:

(In ₹ crore)

Particulars	Financial Services (1)	Retail(2)	Communication (3)	Energy, Utilities, Resources and Services	Manufacturing	Hi-Tech	Life Sciences(4)	Others (5)	Total
Revenues by Geography*									
North America	5,727	2,786	1,775	1,727	1,441	2,153	1,368	229	17,206
	4,374	*2,176*	*1,815*	*1,713*	*1,298*	*1,946*	*1,048*	*171*	*14,541*
Europe	1,651	1,150	823	1,336	1,183	52	487	55	6,737
	1,535	*1,018*	*628*	*1,037*	*885*	*31*	*495*	*55*	*5,684*
India	402	30	109	31	14	91	8	136	821
	369	*9*	*57*	*3*	*15*	*72*	*8*	*152*	*685*
Rest of the world	1,437	209	696	277	64	14	28	407	3,132
	1,179	*188*	*665*	*274*	*58*	*14*	*24*	*353*	*2,755*
Total	**9,217**	**4,175**	**3,403**	**3,371**	**2,702**	**2,310**	**1,891**	**827**	**27,896**
	7,457	***3,391***	***3,165***	***3,027***	***2,256***	***2,063***	***1,575***	***731***	***23,665***
Revenue by offerings									
Digital	4,812	2,393	1,930	1,859	1,444	1,272	1,012	326	15,048
	3,426	*1,613*	*1,496*	*1,320*	*1,028*	*868*	*566*	*216*	*10,533*
Core	4,405	1,782	1,473	1,512	1,258	1,038	879	501	12,848
	4,031	*1,778*	*1,669*	*1,707*	*1,228*	*1,195*	*1,009*	*515*	*13,132*
Total	**9,217**	**4,175**	**3,403**	**3,371**	**2,702**	**2,310**	**1,891**	**827**	**27,896**
	7,457	***3,391***	***3,165***	***3,027***	***2,256***	***2,063***	***1,575***	***731***	***23,665***

(1) *Financial Services include enterprises in Financial Services and Insurance*

(2) *Retail includes enterprises in Retail, Consumer Packaged Goods and Logistics*

(3) *Communication includes enterprises in Communication, Telecom OEM and Media*

(4) *Life Sciences includes enterprises in Life sciences and Health care*

(5) *Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services*

* *Geographical revenues is based on the domicile of customer*

Digital Services

Digital Services comprise of service and solution offerings of the Group that enable our clients to transform their businesses. These include offerings that enhance customer experience, leverage AI-based analytics and big data, engineer digital products and IoT, modernize legacy technology systems, migrate to cloud applications and implement advanced cyber security systems.

Core Services

Core Services comprise traditional offerings of the Group that have scaled and industrialized over a number of years. These primarily include application management services, proprietary application development services, independent validation solutions, product engineering and management, infrastructure management services, traditional enterprise application implementation, support and integration services.

Products & platforms

The Group also derives revenues from the sale of products and platforms including Finacle – core banking solution, Edge Suite of products, Infosys Nia - Artificial Intelligence (AI) platform which applies next-generation AI and machine learning, Panaya platform, Skava platform, Stater digital platform and Infosys McCamish- insurance platform.

Trade Receivables and Contract Balances

The timing of revenue recognition, billings and cash collections results in receivables, unbilled revenue, and unearned revenue on the Group's Consolidated Balance Sheet. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., monthly or quarterly) or upon achievement of contractual milestones.

The Group's receivables are rights to consideration that are unconditional. Unbilled revenues comprising revenues in excess of billings from time and material contracts and fixed price maintenance contracts are classified as financial asset when the right to consideration is unconditional and is due only after a passage of time.

Invoicing to the clients for other fixed price contracts is based on milestones as defined in the contract and therefore the timing of revenue recognition is different from the timing of invoicing to the customers. Therefore unbilled revenues for other fixed price contracts (contract asset) are classified as non-financial asset because the right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivables and unbilled revenues are presented net of impairment in the consolidated Balance Sheet.

2.17 OTHER INCOME, NET

Accounting policy

Other income is comprised primarily of interest income, dividend income, gain/loss on investment and exchange gain/loss on forward and options contracts and on translation of foreign currency assets and liabilities. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Foreign currency

Accounting policy

Functional currency

The functional currency of Infosys, Infosys BPM, controlled trusts, EdgeVerve and Skava is the Indian rupee. The functional currencies for foreign subsidiaries are their respective local currencies. These financial statements are presented in Indian rupees (rounded off to crore; one crore equals ten million).

Transactions and translations

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are recognized in the Consolidated Statement of Profit and Loss and reported within exchange gains/ (losses) on translation of assets and liabilities, net, except when deferred in Other Comprehensive Income as qualifying cash flow hedges. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. The related revenue and expense are recognized using the same exchange rate.

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.

The translation of financial statements of the foreign subsidiaries to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed off, in full, the relevant amount is transferred to net profit in the Consolidated Statement of Profit and Loss. However when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

Other Comprehensive Income, net of taxes includes translation differences on non-monetary financial assets measured at fair value at the reporting date, such as equities classified as financial instruments and measured at fair value through other comprehensive income (FVOCI).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the Balance Sheet date.

Government grant

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

Other income for the three months June 30, 2021 and June 30, 2020 is as follows:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2021	**2020**
Interest income on financial assets carried at amortized cost:		
Tax free bonds and Government bonds	38	34
Deposit with Bank and others	290	257
Interest income on financial assets carried at fair value through other comprehensive income:		
Non-convertible debentures ,certificates of deposit, and government securities	158	89
Income on investments carried at fair value through profit or loss:		
Dividend income on liquid mutual funds	—	1
Gain / (loss) on liquid mutual funds and other investments	24	24
Income on investments carried at fair value through other comprehensive income	—	27
Interest income on income tax refund	13	—
Exchange gains / (losses) on foreign currency forward and options contracts	(77)	46
Exchange gains / (losses) on translation of foreign currency assets and liabilities	128	(32)
Miscellaneous income, net	48	29
Total other income	**622**	**475**

2.18 EXPENSES

Accounting policy

Gratuity and Pensions

The Group provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees majorly of Infosys and its Indian subsidiaries. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Group. The Company contributes Gratuity liabilities to the Infosys Limited Employees' Gratuity Fund Trust (the Trust). In case of Infosys BPM and EdgeVerve, contributions are made to the Infosys BPM Employees' Gratuity Fund Trust and EdgeVerve Systems Limited Employees' Gratuity Fund Trust, respectively. Trustees administer contributions made to the Trusts and contributions are invested in a scheme with the Life Insurance Corporation of India as permitted by Indian law.

The Group operates defined benefit pension plan in certain overseas jurisdictions, in accordance with the local laws. These plans are managed by third party fund managers. The plans provide for periodic payouts after retirement and/or for a lumpsum payment as set out in rules of each fund and includes death and disability benefits.

Liabilities with regard to these defined benefit plans are determined by actuarial valuation, performed by an external actuary, at each Balance Sheet date using the projected unit credit method. These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

The Group recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability / (asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments is recognized in net profit in the Consolidated Statement of Profit and Loss.

Provident fund

Eligible employees of Infosys receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Infosys Limited Employees' Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government of India. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

In respect of Indian subsidiaries, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the eligible employee and the respective companies make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The Companies have no further obligation to the plan beyond its monthly contributions.

Superannuation

Certain employees of Infosys, Infosys BPM and EdgeVerve are participants in a defined contribution plan. The Group has no further obligations to the plan beyond its monthly contributions which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India.

Compensated absences

The Group has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2021	**2020**
Employee benefit expenses		
Salaries including bonus	14,648	13,189
Contribution to provident and other funds	349	289
Share based payments to employees *(Refer to Note 2.11)*	110	76
Staff welfare	123	50
	15,230	**13,604**
Cost of software packages and others		
For own use	343	292
Third party items bought for service delivery to clients	946	601
	1,289	**893**
Other expenses		
Repairs and maintenance	273	345
Power and fuel	33	35
Brand and marketing	114	59
Short-term leases	17	24
Rates and taxes	63	55
Consumables	32	24
Insurance	42	30
Provision for post-sales client support and others	1	6
Commission to non-whole time directors	2	1
Impairment loss recognized / (reversed) under expected credit loss model	44	99
Contributions towards Corporate Social responsibility	145	120
Others	49	82
	815	**880**

2.19 Leases

Accounting Policy

The Group as a lessee

The Group's lease asset classes primarily consist of leases for land, buildings and computers. The group assesses whether a contract contains a lease, at inception of a contract. 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether: (1) the contract involves the use of an identified asset (2) the group has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the 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.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Group as a lessor

Leases for which the Group is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

Following are the changes in the carrying value of right of use assets for the three months ended June 30, 2021:

(In ₹ crore)

Particulars	Category of ROU asset				Total
	Land	Buildings	Vehicles	Computers	
Balance as of April 1, 2021	**630**	**3,984**	**19**	**161**	**4,794**
Additions*	-	(141)	1	46	(94)
Deletions	-	(4)	-	-	(4)
Depreciation	(2)	(155)	(2)	(13)	(172)
Translation difference	3	32	1	-	36
Balance as of June 30, 2021	**631**	**3,716**	**19**	**194**	**4,560**

** Net of adjustments on account of modification of lease term*

Following are the changes in the carrying value of right of use assets for the three months ended June 30, 2020:

(In ₹ crore)

Particulars	Category of ROU asset				Total
	Land	Buildings	Vehicles	Computers	
Balance as of April 1, 2020	**626**	**3,485**	**15**	**42**	**4,168**
Additions	-	(17)	8	30	21
Deletion	-	(58)	-	-	(58)
Depreciation	(1)	(145)	(3)	(5)	(154)
Translation difference	-	20	-	-	20
Balance as of June 30, 2020	**625**	**3,285**	**20**	**67**	**3,997**

The aggregate depreciation on ROU assets has been included under depreciation and amortisation expense in the Consolidated Statement of Profit and Loss.

The following is the break-up of current and non-current lease liabilities:

(In ₹ crore)

Particulars	As at	
	June 30, 2021	March 31, 2021
Current lease liabilities	740	738
Non-current lease liabilities	4,391	4,587
Total	**5,131**	**5,325**

2.20 BASIC AND DILUTED SHARES USED IN COMPUTING EARNINGS PER EQUITY SHARE

Accounting policy

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Group by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Group by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

2.21 CONTINGENT LIABILITIES AND COMMITMENTS

Accounting policy

Contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

(In ₹ crore)

Particulars	**As at**	
	June 30, 2021	**March 31, 2021**
Contingent liabilities :		
Claims against the Group, not acknowledged as debts[(1)]	4,077	4,061
[Amount paid to statutory authorities ₹6,075 crore *(₹6,105 crore)*]		
Commitments :		
Estimated amount of contracts remaining to be executed on capital contracts and not provided for (net of advances and deposits)[(2)]	666	733
Other commitments*	40	42

** Uncalled capital pertaining to investments*

[(1)] As at June 30, 2021, claims against the Group not acknowledged as debts in respect of income tax matters amounted to ₹3,471 crore.

The claims against the Group primarily represent demands arising on completion of assessment proceedings under the Income Tax Act, 1961. These claims are on account of multiple issues of disallowances such as disallowance of profits earned from STP Units and SEZ Units, disallowance of deductions in respect of employment of new employees under section 80JJAA, disallowance of expenditure towards software being held as capital in nature, payments made to Associated Enterprises held as liable for withholding of taxes. These matters are pending before various Appellate Authorities and the Management including its tax advisors expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Group's financial position and results of operations.

Amount paid to statutory authorities against the tax claims amounted to ₹6,065 crore.

[(2)] Capital contracts primarily comprises of commitments for infrastructure facilities and computer equipments.

Legal Proceedings

The Group is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Group's Management reasonably expects based on currently available information, that these legal actions, when ultimately concluded and determined, will not have a material and adverse effect on the Group's results of operations or financial condition.

2.22 RELATED PARTY TRANSACTIONS

Refer to the Company's Annual Report for the year ended March 31, 2021 for the full names and other details of the Company's subsidiaries and controlled trusts.

Changes in Subsidiaries

During the three months ended June 30, 2021, the following are the changes in the subsidiaries:

- Simplus North America Inc., a wholly-owned subsidiary of Outbox Systems Inc., has been liquidated effective April 27, 2021.
- Sqware Peg Digital Pty Ltd, a wholly-owned subsidiary of Simplus ANZ Pty Ltd, is under liquidation.
- Simplus Europe, Ltd., a wholly-owned subsidiary of Outbox Systems Inc., is under liquidation.

Transaction with key management personnel:

The table below describes the compensation to key management personnel which comprise directors and executive officers:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2021	**2020**
Salaries and other employee benefits to whole-time directors and executive officers *(1)(2)*	37	33
Commission and other benefits to non-executive/independent directors	2	1
Total	**39**	**34**

(1)Total employee stock compensation expense for the three months ended June 30, 2021 and June 30, 2020 includes a charge of ₹17 crore and ₹17 crore, respectively, towards key managerial personnel. (Refer to Note 2.11)

(2)Does not include post-employment benefit based on actuarial valuation as this is done for the Company as a whole.

2.23 SEGMENT REPORTING

Ind AS 108, Operating segments, establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance. The Chief Operating Decision Maker (CODM) evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along business segments. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the accounting policies.

Business segments of the Group are primarily enterprises in Financial Services and Insurance, enterprises in Manufacturing, enterprises in Retail, Consumer Packaged Goods and Logistics, enterprises in the Energy, Utilities, Resources and Services, enterprises in Communication, Telecom OEM and Media, enterprises in Hi-Tech, enterprises in Life Sciences and Healthcare and all other segments. The Financial services reportable segments has been aggregated to include the Financial Services operating segment and Finacle operating segment because of the similarity of the economic characteristics. All other segments represent the operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Revenue for 'all other segments' represents revenue generated by Infosys Public services and revenue generated from customers located in India, Japan and China and other enterprises in Public services. Allocated expenses of segments include expenses incurred for rendering services from the Group's offshore software development centers and on-site expenses, which are categorized in relation to the associated efforts of the segment. Certain expenses such as depreciation and amortization, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

Assets and liabilities used in the Group's business are not identified to any of the reportable segments, as these are used interchangeably between segments. The Management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Business segment revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Disclosure of revenue by geographic locations is given in note 2.16 Revenue from operations.

Business Segments

Three months ended June 30, 2021 and June 30, 2020:

(In ₹ crore)

Particulars	**Financial Services** (1)	**Retail** (2)	**Communication** (3)	**Energy, Utilities, Resources and Services**	**Manufacturing**	**Hi-Tech**	**Life Sciences** (4)	**All other segments** (5)	**Total**
Revenue from operations	9,217	4,175	3,403	3,371	2,702	2,310	1,891	827	27,896
	7,457	*3,391*	*3,165*	*3,027*	*2,256*	*2,063*	*1,575*	*731*	*23,665*
Identifiable operating expenses	5,313	1,996	2,080	1,754	1,538	1,381	1,017	482	15,561
	3,904	*1,593*	*1,902*	*1,553*	*1,283*	*1,128*	*799*	*467*	*12,629*
Allocated expenses	1,546	697	616	595	539	362	303	245	4,903
	1,552	*750*	*642*	*623*	*467*	*337*	*300*	*244*	*4,915*
Segment operating income	**2,358**	**1,482**	**707**	**1,022**	**625**	**567**	**571**	**100**	**7,432**
	2,001	*1,048*	*621*	*851*	*506*	*598*	*476*	*20*	*6,121*
Unallocable expenses									829
									756
Other income, net *(Refer to Note 2.17)*									622
									475
Finance cost									49
									48
Profit before tax									**7,176**
									5,792
Income tax expense									1,975
									1,520
Net Profit									**5,201**
									4,272
Depreciation and amortization									829
									756
Non-cash expenses other than depreciation and amortization									—
									—

(1) Financial Services include enterprises in Financial Services and Insurance

(2) Retail includes enterprises in Retail, Consumer Packaged Goods and Logistics

(3) Communication includes enterprises in Communication, Telecom OEM and Media

(4) Life Sciences includes enterprises in Life sciences and Health care

(5) Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services

Significant clients

No client individually accounted for more than 10% of the revenues in the three months ended June 30, 2021 and June 30, 2020, respectively.

2.24 FUNCTION WISE CLASSIFICATION OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(In ₹ crore)

Particulars	Note No.	Three months ended June 30, 2021	Three months ended June 30, 2020
Revenue from operations	2.16	27,896	23,665
Cost of Sales		18,506	15,703
Gross profit		**9,390**	**7,962**
Operating expenses			
Selling and marketing expenses		1,248	1,146
General and administration expenses		1,539	1,451
Total operating expenses		**2,787**	**2,597**
Operating profit		**6,603**	**5,365**
Other income, net	2.17	622	475
Finance cost		49	48
Profit before tax		**7,176**	**5,792**
Tax expense:			
Current tax	2.15	1,937	1,321
Deferred tax	2.15	38	199
Profit for the period		**5,201**	**4,272**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset		(33)	147
Equity instruments through other comprehensive income, net		1	(1)
		(32)	**146**
Items that will be reclassified subsequently to profit or loss			
Fair value changes on derivatives designated as cash flow hedge, net		5	(6)
Exchange differences on translation of foreign operations, net		290	164
Fair value changes on investments, net		38	54
		333	**212**
Total other comprehensive income / (loss), net of tax		**301**	**358**
Total comprehensive income for the period		**5,502**	**4,630**
Profit attributable to:			
Owners of the Company		5,195	4,233
Non-controlling interests		6	39
		5,201	**4,272**
Total comprehensive income attributable to:			
Owners of the Company		5,491	4,586
Non-controlling interests		11	44
		5,502	**4,630**

for and on behalf of the Board of Directors of Infosys Limited

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive Officer and Managing Director

U.B. Pravin Rao
Chief Operating Officer and Whole-time Director

D. Sundaram
Director

Nilanjan Roy
Chief Financial Officer

Jayesh Sanghrajka
Executive Vice President and Deputy Chief Financial Officer

A.G.S. Manikantha
Company Secretary

Bengaluru
July 14, 2021