TCS/ PR/SE-24/2016-17

July 13, 2016

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Mumbai
Fax No. 2659 8237 / 38
Kind Attn: Manager, Listing Department

BSE Limited
P.J. Towers, Dalal Street
Mumbai
Fax No. 2272 2037/2272 3121
Kind Attn: General Manager,
Department of Corporate Services
Scrip Code No. 532540 (BSE)

Dear Sirs,

As per Ministry of Corporate Affairs notification dated February 16, 2015, listed and unlisted companies with net worth of ₹ 500 crore or more including the parent or subsidiaries of such companies will have to prepare their financial statements following Ind AS with effect from April 1, 2016 with comparative periods beginning April 1, 2015. Therefore, the Company will be publishing its financial statements prepared under Ind AS when it announces its Q1 earnings for FY17 on July 14, 2016 and not as per Indian GAAP. The Company will continue to post its earnings in IFRS as well.

We are sending herewith a self-explanatory document titled **"Adoption of Ind AS"** which will be disseminated shortly.

Thanking you,

Yours faithfully,
For **TATA CONSULTANCY SERVICES LIMITED**

Suprakash Mukhopadhyay
Vice President and Company Secretary

Encl : as above

TATA CONSULTANCY SERVICES
Tata Consultancy Services Limited
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Tel 91 22 6778 9595 Fax 91 22 6778 9660 e-mail corporate.office@tcs.com website www.tcs.com
Registered Office 9th Floor Nirmal Building Nariman Point Mumbai 400 021
Corporate Identification No. (CIN): L22210MH1995PLC084781

TATA CONSULTANCY SERVICES

Experience certainty.

Adoption of Ind AS
(effective April 1, 2016)

1. Background

The Ministry of Corporate Affairs (MCA) has issued a notification dated 16th February 2015, announcing the Companies (Indian Accounting Standards) Rules, 2015 for phase-wise roadmap for adoption and applicability of Indian Accounting Standards (Ind AS). As per these rules, in the first phase, listed and unlisted companies with net worth of Rs. 500 Cr or more including the parent or subsidiaries of such companies will have to prepare their financial statements following Ind AS with effect from 1st April 2016 with comparative periods beginning 1st April 2015. Since TCS' net worth is above this threshold, TCS is required to publish its financial statements prepared under Ind AS with effect from 1st April 2016.

2. Ind AS

The accounting standards issued by the MCA under the rules on the recommendation of National Advisory Committee on Accounting Standards (NACAS) is a result of convergence exercise that the Institute of Chartered Accountants of India (ICAI) and International Accounting Standards Board (IASB) undertook. The standards have been converged from the International Financial Reporting Standards (IFRS) as issued by IASB except for certain carve-outs that were required to make the standards suitable to Indian business conditions.

3. Ind AS in TCS context

TCS has been publishing its financial statements prepared under Indian GAAP and IFRS. There were very few areas of difference between IFRS and Indian GAAP. With the adoption of Ind AS, almost all of the differences would disappear and only those differences which would result due to different dates of adoption of the standards would remain. These differences would largely remain in the balance sheet while the statement of profit and loss on a periodic basis would be similar.

However, there are many areas of difference between Indian GAAP and Ind AS. The areas which are of significant interest to TCS are as follows:

- **Dividend:** Under Ind AS, dividend to holders of equity instruments is recognised as a liability in the period in which the obligation to pay is established. In Indian GAAP, dividend payable is recorded as a liability in the period to which it relates.

- **Consolidation of Employee welfare trusts:** Ind AS 110 – Consolidated financial statements defines control and establishes control as the main basis for consolidating the entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, in light of which we are required to consolidate employee welfare trusts of the Group. In Indian GAAP, the entities were not required to be consolidated.

- **Employee benefits:** In Indian GAAP, actuarial gains and losses were recognized in profit and loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of net defined benefit liability/asset which is recognized in other comprehensive income in the respective periods.

- **Depreciation:** In April 2014, the Group revised its method of depreciation from written down value to straight-line basis. Under Ind AS, the Group has elected to apply Ind AS 16 - Property, plant and equipment from the date of acquisition. This change in method was retrospectively adjusted in Indian GAAP.

- **Reorganisation of entities under common control:** The Group under Ind AS 103-Business combination has accounted the transfer of the shareholding of Tata Sons Limited in CMC Limited and Tata America International Corporation to Tata Consultancy Services Limited on the historical cost basis and the consideration paid in excess of carrying cost of these entities, as on the date of transfer, has been recorded as a reduction to equity. In Indian GAAP, the transfer was accounted for on fair value basis.

- **Acquisition of non-controlling interest:** The group has issued shares to the non-controlling interest shareholders of CMC Ltd. in the Scheme of amalgamation of CMC Ltd. with the Company. Under Ind AS 103 – Business combinations, the difference between the nominal value of the shares issued and the carrying value of the non-controlling interest has been recognised in retained earnings.

- **Obligation to acquire non-controlling interests:** The Group under Ind AS-103 –Business Combination has recognised a liability for the present value of the redemption amount towards call option and the non-controlling interest's put option which collectively contains an obligation for the Group to acquire non-controlling interest's equity ownership. Indian GAAP do not have any such requirement.

- **Impact of retrospective application of Ind AS 103 to prior business combinations:** In Indian GAAP, the business combination was accounted at the book value, under Ind AS the acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date. Consequently intangible assets have been created and amortization of the same has resulted in an adjustment to the equity.

- **Fair valuation of investments:** In Indian GAAP, current investments were measured at lower of cost or fair value and long term investments were measured at cost less diminution in value. Under Ind AS, investment in debt securities have been measured at fair value with changes in fair value accounted in other comprehensive income. All other investments other than debt securities have been measured at fair value to profit and loss.

- **Tax adjustments:** In Indian GAAP, in the consolidated financial statements, the tax expense of the parents and group companies were added line- by-line and no adjustments were made/additional deferred taxes recognized or reversed on consolidation. Under Ind AS, deferred tax on account of undistributed profits of the subsidiaries has been recognized in statement of profit and loss. Further tax adjustments are also made for deferred tax impact on account of differences between Indian GAAP and Ind AS.

Process followed to adopt Ind AS

First time adoption of Ind AS involves the following:

- Selection of appropriate options as per Ind AS 101, which contains the transition provisions for an entity to adopt Ind-AS for the first time.
- Preparation of opening balance sheet as at 1st April 2015 under Ind AS
- Preparation of quarterly financials of all four quarters of FY16
- Preparation of financial statements under Ind AS from Q1 FY17

We have analysed the options available to preparers under Ind AS 101 in the areas of business combinations, fair-valuation of assets, exchange rate fluctuation reserves, etc. and have followed the options that takes the base financials in Indian GAAP close to IFRS financials without causing major changes to the balance sheet under Indian GAAP. An opening balance sheet as on 1st April 2015 of the TCS un-consolidated entity and TCS Consolidated entity has been prepared under Ind AS along with a reconciling statement between Indian GAAP and Ind AS in respect of Shareholders Equity as at that date.

4. Financials statements prepared under Ind AS

A comparison of key Profit & Loss account metrics from the financial statements prepared under Indian GAAP, IFRS and Ind AS for the financial year ended 31st March, 2016 is given in Annexure I. The reconciliation statements of the Equity as at 31st March, 2015 under Indian GAAP and Ind AS is given in Annexure II. The Balance Sheet of TCS Ltd – Unconsolidated and Consolidated as at 1st April 2015 and 31st March 2016, prepared under Ind AS is given in Annexure III. Quarterly Profit & Loss account under Ind AS for all four quarters of FY16 – Consolidated and Unconsolidated is given in Annexure IV.

The financial information in Annexures below are not audited financials and are being given only to facilitate early dissemination of comparative historical data. An excel version of these previous period financial statements will also be available on the company website.

Annexure I – Profit and Loss Account Comparison under Indian GAAP, IFRS & Ind AS for FY16

Amounts in ₹ crore	TCS Consolidated Profit and Loss Account for FY 2016		
	Indian GAAP	IFRS	Ind AS
Revenues	108,646	108,646	108,646
Profit before Taxes	31,676	31,840	31,840
Taxes	7,301	7,502	7,502
Profit after Taxes before non-controlling interest	24,375	24,338	24,338

Comprehensive income reconciliations for consolidated financials:

(₹ crores)

	For quarter ended June 30, 2015	For quarter ended Sept 30, 2015	For quarter ended Dec 31, 2015	For quarter ended March 30, 2016
Net income under Indian GAAP attributable to :				
TCS Limited	5,711	6,085	6,083	6,413
Non-controlling interests	30	23	20	10
Net income under Indian GAAP	**5,741**	**6,108**	**6,103**	**6,423**
Actuarial loss recognised in other comprehensive income	11	32	34	37
Effect on consolidation of employee trusts	8	(3)	8	2
Effect of change in depreciation method	17	15	13	12
Obligation to acquire non-controlling interests	(3)	(3)	(4)	(5)
Change in fair value of investments in mutual funds	27	(18)	10	(21)
Tax adjustments	(27)	(38)	(34)	(101)
Others	-	-	(5)	-
Profit for the period under Ind AS	**5,773**	**6,093**	**6,125**	**6,347**
Other comprehensive income	53	55	16	145
Total comprehensive income under Ind AS	**5,826**	**6,148**	**6,141**	**6,492**
Attributable to:				
TCS Limited	5,763	6,133	6,127	6,475
Non-controlling interests	63	15	14	17

Annexure II –Equity Reconciliation

Unconsolidated

	(₹ crores)
	As on April 1,2015
As reported under Indian GAAP	45,416
Adjusted effect of CMC Merger	810
Adjusted equity under Indian GAAP	**46,226**
Proposed dividend (including dividend tax) reversed	5,724
Credit on account of change in method of depreciation reversed	(537)
Tax adjustments	132
	9
Fair value of investments in mutual funds and other equity investments	
Others	(1)
Equity under Ind AS	**51,553**

Consolidated

	(₹ crores)
	As at April 1, 2015
Equity under Indian GAAP attributable to:	
TCS Limited	50,635
Non-controlling interests	1,128
Adjusted equity under Indian GAAP	**51,763**
Proposed dividend (including tax on dividend) reversed	5,649
Effect on consolidation of employee trusts	168
Effect of change in depreciation method	(537)
Obligation to acquire non-controlling interests	(240)
Reorganisation of entities under common control accounted under pooling of interest method	(167)
Fair valuation of investments	9
Tax adjustments	(25)
Amortisation of intangible asset resulting from election to apply fair value accounting for business combinations on or after April 1, 2013	(47)
Amalgamation of subsidiary under common control	(296)
Others	(2)
Equity under Ind AS	**56,275**
Attributable to:	
TCS Limited	56,052
Non-controlling interests	223

Annexure III –Balance Sheet

Unconsolidated

TATA CONSULTANCY SERVICES LIMITED

BALANCE SHEET

(₹ crores)

	As at March 31, 2016	As at April 1, 2015
I. ASSETS		
Non-current assets		
(a) Property, plant and equipment	9,054	7,628
(b) Capital work-in-progress	1,640	2,741
(c) Intangible assets	24	31
(d) Financial assets		
(i) Investments	2,228	2,283
(ii) Loans	2,435	1,590
(iii) Other financial assets	1,176	1,077
(e) Advance Income Tax asset - Non-current	4,230	3,956
(f) Deferred tax assets (net)	2,528	2,321
(g) Other non-current assets	720	843
Total Non-current assets	24,034	22,471
Current assets		
(a) Inventories	9	15
(b) Financial assets		
(i) Investments	21,930	971
(ii) Trade receivables	19,058	17,392
(iii) Cash and cash equivalents	4,383	461
(iv) Other bank balances	423	16,074
(v) Unbilled revenue	2,712	2,631
(vi) Loans	2,523	1,337
(vii) Other financial assets	866	884
(c) Other current assets	1,473	1,503
Total Current assets	53,379	41,268
TOTAL ASSETS	77,413	63,739

TATA CONSULTANCY SERVICES LIMITED

BALANCE SHEET

(₹ crores)

	As at March 31, 2016	As at April 1, 2015
I. EQUITY AND LIABILITIES		
Shareholders' funds		
(a) Share capital	197	196
(b) Other equity	64,817	51,358
TOTAL EQUITY	**65,014**	**51,553**
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	50	65
(ii) Other financial liabilities	293	411
(b) Employee benefit obligation	48	56
(c) Provisions	40	94
(d) Deferred tax liabilities (net)	366	271
(e) Other non-current liabilities	298	281
Non-current liabilities	**1,095**	**1,178**
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	113	186
(ii) Trade payables	5,371	6,856
(iii) Other financial liabilities	2,083	1,001
(b) Income received in advance	1,068	870
(c) Current income tax liabilities(net)	536	350
(d) Employee benefit obligation	1,164	982
(e) Provisions	115	103
(c) Other current liabilities	855	661
Total Current liabilities	**11,304**	**11,007**
TOTAL EQUITY AND LIABILITY	**77,413**	**63,739**

Consolidated

TATA CONSULTANCY SERVICES LIMITED
CONSOLIDATED BALANCE SHEET

(₹ crores)

	As at March 31, 2016	As at April 1, 2015
I. ASSETS		
Non-current assets		
(a) Property, plant and equipment	9,971	8,641
(b) Capital work-in-progress	1,669	2,762
(c) Intangible assets	136	220
(d) Goodwill	1,669	1,572
(e) Financial assets		
(i) Investments	344	253
(ii) Loans	2,475	1,584
(iii) Other financial assets	1,322	1,231
(f) Advance Income Tax asset	4,464	4,093
(g) Deferred tax assets (net)	2,910	2,633
(h) Other non-current assets	926	1,075
Total Non-current assets	25,886	24,064
Current assets		
(a) Inventories	17	15
(b) Financial assets		
(i) Investments	22,479	1,501
(ii) Trade receivables	24,073	20,440
(iii) Unbilled revenue	3,992	3,827
(iv) Cash and cash equivalents	6,294	1,862
(v) Other bank balances	493	16,696
(vi) Loans	2,743	1,493
(vii) Other financial assets	916	909
(c) Advance Income Tax asset	32	75
(d) Other current assets	2,175	2,083
Total Current assets	63,214	48,901
TOTAL ASSETS	89,100	72,965

TATA CONSULTANCY SERVICES LIMITED
CONSOLIDATED BALANCE SHEET

(₹ crores)

	As at March 31, 2016	As at April 1, 2015
I. EQUITY AND LIABILITIES		
Shareholders' funds		
(a) Share capital	197	196
(b) Other equity	70,875	55,856
Equity attributable to shareholders of TCS Limited	71,072	56,052
Non-controlling interest	355	223
TOTAL EQUITY	71,427	56,275
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	82	115
(ii) Other financial liabilities	493	662
(b) Employee benefit obligation	237	203
(c) Provisions	40	94
(d) Deferred tax liabilities (net)	805	540
(e) Other non-current liabilities	443	404
Total Non current liabilities	2,100	2,018
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	113	186
(ii) Trade payables	7,541	8,832
(iii) Other financial liabilities	2,364	1,245
(b) Income received in advance	1,359	1,062
(c) Current income tax liabilities(net)	805	546
(d) Employee benefit obligation	1,635	1,356
(e) Provisions	115	103
(c) Other current liabilities	1,641	1,342
Total Current liabilities	15,573	14,672
TOTAL EQUITY AND LIABILITY	89,100	72,965

Annexure IV – Quarterly Profit & Loss account under Ind AS

Unconsolidated:

TATA CONSULTANCY SERVICES LIMITED
UNCONSOLIDATED INCOME STATEMENT

(₹ crores)

	For the quarter ending Jun 30, 2015	For the quarter ending Sep 30, 2015	For the quarter ending Dec 31, 2015	For the quarter ending Mar 31, 2016
I. Revenue from operations	20,349	21,636	21,621	22,258
II. Other income (net)	991	679	1,148	939
III. TOTAL REVENUE	21,340	22,315	22,769	23,197
IV. Expenses:				
(a) Employee costs	10,104	10,318	10,809	11,189
(b) Other operating expenses	3,752	4,247	4,019	4,372
(c) Finance costs	1	3	4	5
(d) Depreciation and amortisation expense	348	362	365	384
TOTAL EXPENSES	14,205	14,930	15,197	15,950
V. PROFIT BEFORE TAX	7,135	7,385	7,572	7,247
VI. Tax expense:				
(a) Current tax	1,535	1,635	1,613	1,594
(b) Deferred tax	(33)	27	(35)	(72)
VII. PROFIT FOR THE PERIOD	5,633	5,723	5,994	5,725
VIII. OTHER COMPREHENSIVE INCOME				
(A) (i) Items that will be reclassified subsequently to profit and loss:				
(a)Net gains on financial assets other than equity shares carried at fair value through OCI	-	-	-	82
(b)Net change in fair value of intrinsic value of cash flow hedges	(131)	26	53	(21)
(c)Net change in fair value of time value of cash flow hedges	(59)	24	20	(6)
(ii) Income tax on items that will be reclassified to profit or loss	26	(6)	(9)	(25)
(B) (i) Items that will not be reclassified subsequently to profit and loss				
(a)Net gains/(losses) on equity shares carried at fair value through OCI	-	0	1	-
(b)Remeasurement of defined employee benefit plans	(8)	(15)	(26)	(73)
(ii) Income tax on items that will not be reclassified to profit or loss	-	-	5	10
IX. TOTAL OTHER COMPREHENSIVE INCOME NET OF TAXES	(172)	29	44	(33)
X. TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,461	5,752	6,038	5,692

Consolidated:

TATA CONSULTANCY SERVICES LIMITED

CONSOLIDATED INCOME STATEMENT

(₹ crores)

	For the quarter ending Jun 30, 2015	For the quarter ending Sep 30, 2015	For the quarter ending Dec 31, 2015	For the quarter ending Mar 31, 2016
I. Revenue from operations	25,668	27,165	27,364	28,449
II. Other income (net)	778	683	707	915
III. TOTAL REVENUE	26,446	27,848	28,071	29,364
IV. Expenses:				
(a) Employee costs	13,291	19,623	14,011	14,423
(b) Other operating expenses	5,174	5,720	5,606	6,119
(c) Finance costs	8	8	8	10
(d) Depreciation and amortisation expense	453	469	471	495
TOTAL EXPENSES	18,926	19,820	20,096	21,047
V. PROFIT BEFORE TAX	7,520	8,028	7,975	8,317
VI. Tax expense:				
(a) Current tax	1,796	1,886	1,871	1,955
(b) Deferred tax	(49)	49	(21)	15
VII. PROFIT FOR THE PERIOD	5,773	6,093	6,125	6,347
VIII. OTHER COMPREHENSIVE INCOME				
(A) (i) Items that will be reclassified subsequently to profit and loss:				
(a)Net gains on financial assets other than equity shares carried at fair value through OCI	-	-	-	82
(b)Net change in fair value of intrinsic value of cash flow hedges	(131)	26	53	(21)
(c)Net change in fair value of time value of cash flow hedges	(59)	24	20	(6)
(d)Exchange differences on translation of financial statements of foreign operations	227	39	(22)	158
(ii) Income tax on items that will be reclassified to profit or loss	26	(6)	(9)	(25)
(B) (i) Items that will not be reclassified subsequently to profit and loss				
(a)Net gains/(losses) on equity shares carried at fair value through OCI	-	-	1	-
(b)Remeasurement of defined employee benefit plans	(11)	(32)	(34)	(37)
(ii) Income tax on items that will not be reclassified to profit or loss	1	4	7	(6)
IX. TOTAL OTHER COMPREHENSIVE INCOME NET OF TAXES	53	55	16	145
X. TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,826	6,148	6,141	6,492
XI. Profit attributable to:				
Owners of the Company	5,747	6,073	6,109	6,341
Non-controlling interests	26	20	16	6
XII. Total comprehensive income for the period attributable to:				
Owners of the Company	5,763	6,133	6,127	6,475
Non-controlling interests	63	15	14	17