**MINDTREE LIMITED AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Rupees in millions, except share data)

| | Note | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 6 | 28 | 42 |
| Property, plant and equipment | 5 | 2,894 | 2,388 |
| Available-for-sale financial assets | 7 | 235 | 11 |
| Deferred tax assets | 16 | 470 | 590 |
| Other non-current assets | 10 | 851 | 794 |
| **Total non-current assets** | | **4,478** | **3,825** |
| Trade receivables | 8 | 4,508 | 4,077 |
| Other current assets | 10 | 1,348 | 892 |
| Unbilled revenues | | 637 | 479 |
| Available-for-sale financial assets | 7 | 3,710 | 2,803 |
| Current tax assets | 16 | 846 | 742 |
| Derivative assets | 15 | 181 | 36 |
| Cash and cash equivalents | 9 | 1,252 | 602 |
| **Total current assets** | | **12,482** | **9,631** |
| **Total assets** | | **16,960** | **13,456** |
| **Equity** | | | |
| Share capital | | 415 | 405 |
| Share premium | | 2,325 | 1,876 |
| Retained earnings | | 10,635 | 7,632 |
| Other components of equity | | 247 | (166) |
| Equity attributable to owners of the Company | | 13,622 | 9,747 |
| Non-controlling interests | | - | - |
| **Total equity** | | **13,622** | **9,747** |
| **Liabilities** | | | |
| Loans and borrowings | 11 | 24 | 26 |
| Other non-current liabilities | 13 | 63 | 44 |
| **Total non-current liabilities** | | **87** | **70** |
| Loans and borrowings and book overdraft | 11 | 358 | 537 |
| Trade payables and accrued expenses | 12 | 850 | 749 |
| Unearned revenue | | 36 | 19 |
| Current tax liabilities | 16 | 199 | 257 |
| Derivative liabilities | 15 | 13 | 597 |
| Employee benefit obligations | 14 | 273 | 229 |
| Other current liabilities | 13 | 1,317 | 1,084 |
| Provisions | 13 | 205 | 167 |
| **Total current liabilities** | | **3,251** | **3,639** |
| **Total liabilities** | | **3,338** | **3,709** |
| **Total equity and liabilities** | | **16,960** | **13,456** |

The accompanying notes form an integral part of these unaudited consolidated financial statements

**MINDTREE LIMITED AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

| | | (Rupees in millions, except share data) | |
|---|---|---|---|
| | | Year ended March 31, | |
| | Note | 2013 | 2012 |
| Revenues | | 23,532 | 19,099 |
| Cost of revenues | 18 | (15,020) | (13,077) |
| **Gross profit** | | **8,512** | **6,022** |
| Selling, general and administrative expenses | 18 | (4,476) | (3,823) |
| **Results from operating activities** | | **4,036** | **2,199** |
| Foreign exchange gain/ (loss) | | (340) | 199 |
| Finance expenses | | (12) | (7) |
| Finance and other income | 20 | 380 | 219 |
| **Profit before tax** | | **4,064** | **2,610** |
| Income tax expense | 16 | (847) | (430) |
| **Profit for the year** | | **3,217** | **2,180** |
| **Attributable to:** | | | |
| Owners of the Company | | 3,217 | 2,180 |
| Non-controlling interests | | - | - |
| | | **3,217** | **2,180** |
| **Earnings per equity share:** | 21 | | |
| Basic | | 78.81 | 54.10 |
| Diluted | | 77.75 | 54.00 |
| Weighted average number of equity shares used in computing earnings per equity share: | | | |
| Basic | | 40,974,712 | 40,295,202 |
| Diluted | | 41,496,296 | 40,363,159 |

The accompanying notes form an integral part of these unaudited consolidated financial statements

**MINDTREE LIMITED AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW**

| | (Rupees in millions, except share data) | |
|---|---|---|
| | Year ended March 31, | |
| | **2013** | **2012** |
| **Cash flow from operating activities** | | |
| Profit for the year | 3,217 | 2,180 |
| Adjustments for : | | |
| Depreciation & amortisation | 616 | 691 |
| Amortization of stock compensation | 171 | - |
| Interest expense | 12 | 7 |
| Income tax expense | 847 | 430 |
| Interest / dividend income | (222) | (149) |
| Gain on sale of property, plant and equipment | (5) | (1) |
| Gain on sale of available-for-sale financial assets | (133) | (27) |
| Unrealised exchange difference on derivatives | (303) | (10) |
| Effect of exchange differences on translation of foreign currency borrowings | 28 | (3) |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | (30) | (21) |
| *Changes in operating assets and liabilities* | | |
| Trade receivables | (430) | (1,252) |
| Unbilled revenues | (158) | (42) |
| Other assets | (358) | 73 |
| Trade payables and accrued expenses | 87 | 181 |
| Unearned revenues | 17 | (22) |
| Other liabilities | 265 | 551 |
| Net cash provided by operating activities before taxes | 3,621 | 2,586 |
| Income taxes paid | (968) | (564) |
| ***Net cash provided by operating activities*** | **2,653** | **2,022** |
| **Cash flow from investing activities** | | |
| Expenditure on property, plant and equipment | (1,066) | (484) |
| Proceeds from sale of property, plant and equipment | 9 | 2 |
| Interest /dividend received from available-for-sale financial assets | 179 | 120 |
| Inter-corporate deposits | (75) | (55) |
| Investments in available-for-sale financial assets | (11,057) | (8,735) |
| Redemption of available-for-sale financial assets | 10,091 | 6,846 |
| ***Net cash used in investing activities*** | **(1,919)** | **(2,306)** |
| **Cash flow from financing activities** | | |
| Issue of share capital (net of issue expenses paid) | 322 | 144 |
| Interest paid on loans | (11) | (5) |
| Proceeds from working capital loans | 719 | 410 |
| Repayment of loans and borrowings | (941) | (5) |
| Dividends paid (including distribution tax) | (214) | (176) |
| ***Net cash provided by/ (used in) financing activities*** | **(125)** | **368** |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | 30 | 21 |
| **Net increase in cash and cash equivalents** | 639 | 105 |
| Cash and cash equivalents at the beginning of the year | 477 | 372 |
| **Cash and cash equivalents at the end of the year (Note 9)** | **1,116** | **477** |

The accompanying notes form an integral part of these unaudited consolidated financial statements

**MINDTREE LIMITED AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | | (Rupees in millions, except share data) | |
|---|---|---|---|
| | | Year ended March 31, | |
| | Note | 2013 | 2012 |
| Profit for the year | | 3,217 | 2,180 |
| Other comprehensive income, net of taxes | | | |
| - Net change in fair value of cash flow hedges | 15 & 16 | 355 | (282) |
| - Net change in fair value of available-for-sale financial assets | 7 | 20 | 33 |
| Total other comprehensive income, net of taxes | | 375 | (249) |
| Total comprehensive income for the year | | 3,592 | 1,931 |
| **Attributable to:** | | | |
| Owners of the Company | | 3,592 | 1,931 |
| Non-controlling interests | | - | - |
| | | 3,592 | 1,931 |

The accompanying notes form an integral part of these unaudited consolidated financial statements

**MINDTREE LIMITED AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(Rupees in millions, except share data)**

| Particulars | No. of shares | Share capital | Share premium | Retained earnings | Share based payment reserve | Other components of equity: Cash flow hedging reserve | Other components of equity: Other reserves | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance as at April 1, 2011 | 40,035,187 | 400 | 1,680 | 5,628 | 61 | 63 | 16 | 7,848 | - | 7,848 |
| Issue of equity shares on exercise of options | 508,736 | 5 | 196 | - | - | - | - | 201 | - | 201 |
| Profit for the year | | - | - | 2,180 | - | - | - | 2,180 | - | 2,180 |
| Other comprehensive income | | - | - | - | - | (282) | 33 | (249) | - | (249) |
| Compensation cost related to employee share based payment transaction | | - | - | - | (57) | - | - | (57) | - | (57) |
| Cash dividend paid (including dividend tax thereon) | | - | - | (176) | - | - | - | (176) | - | (176) |
| **As at March 31, 2012** | **40,543,923** | **405** | **1,876** | **7,632** | **4** | **(219)** | **49** | **9,747** | **-** | **9,747** |
| Balance as at April 1, 2012 | 40,543,923 | 405 | 1,876 | 7,632 | 4 | (219) | 49 | 9,747 | - | 9,747 |
| Issue of equity shares on exercise of options | 991,132 | 10 | 449 | - | - | - | - | 459 | - | 459 |
| Profit for the year | | - | - | 3,217 | - | - | - | 3,217 | - | 3,217 |
| Other comprehensive income | | - | - | - | - | 355 | 20 | 375 | - | 375 |
| Compensation cost related to employee share based payment transaction | | - | - | - | 38 | - | - | 38 | - | 38 |
| Cash dividend paid (including dividend tax thereon) | | | | (214) | | | | (214) | | (214) |
| **As at March 31, 2013** | **41,535,055** | **415** | **2,325** | **10,635** | **42** | **136** | **69** | **13,622** | **-** | **13,622** |

The accompanying notes form an integral part of these unaudited consolidated financial statements

## 1. Company overview

Mindtree Limited ('Mindtree' or 'the Parent Company') together with its subsidiaries Mindtree Software (Shenzhen) Co. Ltd, and Mindtree Software (Shanghai) Co. Ltd, collectively referred to as 'the Company' or 'the Group' is an international Information Technology consulting and implementation Group that delivers business solutions through global software development. The Group is structured into two business units that focus on software development – Information Technology ('IT') Services and Product Engineering ('PE') Services. IT Services offer consulting and implementation and post production support for customers in manufacturing, financial services, travel and leisure and other industries, in the areas of e-business, data warehousing and business intelligence, supply chain management, ERP and maintenance and re-engineering of legacy mainframe applications. PE Services provides full life cycle product engineering, professional services and sustained engineering services. It also enables faster product realization by leveraging the expertise in the areas of hardware design, embedded software, middleware and testing and through Mindtree's own IP building blocks in the areas of Bluetooth, VOIP, IVP6, iSCSI and others in datacom, telecom, wireless, storage, industrial automation, avionics, consumer products and computing.

The company is a public limited company incorporated and domiciled in India and has its registered office at Bangalore, Karnataka, India and has offices in United States of America, United Kingdom, Japan, Singapore, Australia, Germany, Switzerland, Sweden, UAE, Netherlands, Canada, France and Republic of China. The company has its primary listings on the Bombay Stock Exchange and National Stock Exchange in India. These unaudited consolidated annual financial statements were authorized for issuance by the Company's board of directors and audit committee on April 22, 2013.

## 2. Basis of preparation of financial statements

(a) Statement of compliance

These unaudited consolidated financial statements as at and for the year ended March 31, 2013 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB").

These unaudited consolidated financial statements have been prepared on the basis of relevant IFRS that are effective at the reporting date March 31, 2013.

(b) Basis of measurement

The unaudited consolidated financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following material items that have been measured at fair value as required by relevant IFRS:-

i. Derivative financial instruments; and
ii. Available-for-sale financial assets;

(c) Functional and presentation currency

The unaudited consolidated financial statements are presented in Indian rupees, which is the functional currency of the parent company and all its subsidiaries which is the currency of the primary economic environment in which the entity operates. All financial information presented in Indian rupees has been rounded to the nearest million.

(d) Use of estimates and judgement

The preparation of the unaudited consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.
Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the unaudited consolidated financial
statements is included in the following notes:

*i) Revenue recognition:* The Company uses the percentage of completion method using the input (cost expended) method to measure progress towards completion in respect of fixed price contracts. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates of future labor costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognized revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the period in which the loss becomes probable.

*ii) Income taxes:* the Company's two major tax jurisdictions are India and the U.S., though the company also files tax returns in other foreign jurisdictions. Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions. Also refer to Note 16.

*iii) Other estimates:* The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the uncollectability of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required. The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

## 3. Significant accounting policies

(i) Basis of consolidation:

*Subsidiaries*

The unaudited consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries and controlled trusts). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
All intra-company balances, transactions, income and expenses including unrealized income or expenses are eliminated in full on consolidation.

*Special purpose entities*

The Company has established certain special purpose entities ("SPEs") for business purposes. These SPE are unaudited consolidated based on an evaluation of the substance of its relationship with the Company and the SPE's risks and rewards. SPEs controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Company receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(ii) Functional and presentation currency

Items included in the unaudited consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). These unaudited consolidated financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of Mindtree Limited and its subsidiaries.

(iii) Foreign currency transactions and balances

Transactions in foreign currency are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates prevailing at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income and reported within foreign exchange gains/(losses).
Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

(iv) Financial instruments

Financial instruments of the Company are classified in the following categories : non-derivative financial instruments comprising of loans and receivables, available-for-sale financial assets and trade and other liabilities; derivative financial instruments under the category of financial assets or financial liabilities at fair value through profit or loss.
The classification of financial instruments depends on the purpose for which those were acquired. Management determines the classification of its financial instruments at initial recognition.

*a) Non-derivative financial instruments*

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss.
Loans and receivables are represented by trade receivables, unbilled revenue, cash and cash equivalents, employee and other advances and eligible current and non-current assets.
Cash and cash equivalents comprise cash on hand and in banks and demand deposits with banks which can be withdrawn at any time without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company’s cash management system.

*(ii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or are not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transaction costs. Subsequent to initial recognition these are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognized in other comprehensive income and presented within equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the statement of income.

*(iii) Trade and other payables*

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

*b) Derivative financial instruments*

The company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange rates on foreign currency assets or liabilities and forecasted cash flows denominated in foreign currencies. The counterparty for these contracts is generally a bank.

Derivatives are recognized and measured at fair value. Attributable transaction cost are recognized in statement of income as cost.

*(i)* Cash flow hedges: Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in other comprehensive income and presented within equity in the cash flow hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of income. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the statement of income upon the occurrence of the related forecasted transaction.

*(ii)* Others: Changes in fair value of foreign currency derivative instruments not designated as cash flow hedges and the ineffective portion of cash flow hedges are recognized in the statement of income and reported within foreign exchange gains/(losses), net under results from operating activities.

(v) Property, plant and equipment

*a) Recognition and measurement:* Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

*b) Depreciation:* The Company depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are available for use. Assets acquired under finance lease and leasehold improvements are amortized over the shorter of estimated useful life or the related lease term. The estimated useful lives of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

| Category | Useful life |
| --- | --- |
| Buildings | 25 to 30 years |
| Computer systems (including software) | 1 to 3 years |
| Furniture, fixtures and equipment | 3 to 5 years |
| Vehicles | 4 to 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of income when incurred. The cost and related accumulated depreciation are eliminated from the unaudited consolidated financial statements upon sale or disposition of the asset and the resultant gains or losses are recognized in the statement of income.
Deposits and advances paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not available for use before such date are disclosed under capital work- in-progress.

(vi) Business combination, Goodwill and Intangible assets

Business combinations are accounted for using the purchase (acquisition) method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition 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 fair value at the date of acquisition.
Transaction costs incurred in connection with a business combination are expensed as incurred.

*a) Goodwill*

The excess of the cost of acquisition over the Company's share in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the excess is negative, a bargain purchase gain is recognized immediately in the statement of income.

*b) Intangible assets*

Intangible assets are stated at cost less accumulated amortization and impairments. 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), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

The estimated useful life for intellectual property related intangibles is estimated at 5 years.

(vii) Leases

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on a straight line basis in the statement of income over the lease term.

(viii) Impairment

*a) Financial assets:*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss.

*(i) Loans and receivables*

Impairment losses on trade and other receivables are recognized using separate allowance accounts.

*(ii) Available-for-sale financial asset*

When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income, a component of equity in other reserve is transferred to the statement of income. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

*b) Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").
The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

*c) Reversal of impairment loss*

An impairment loss for financial assets is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of an asset other than goodwill 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 or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss for an asset other than goodwill and available- for-sale financial assets that are equity securities is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

(ix) Employee Benefit

The Group participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.
The company has the following employee benefit plans:

*a) Provident fund*

Employees receive benefits from a provident fund. The employer and employees each make periodic contributions to the government administered plan equal to a specified percentage of the covered employee's salary.

*b) Gratuity*

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The gratuity fund is managed by the Life Insurance Corporation of India (LIC), ICICI Prudential Life Insurance Company and SBI Life Insurance Company. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation using the projected unit credit method. The Company recognizes actuarial gains and losses immediately in the statement of income.

*c) Compensated absences*

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognizes accumulated compensated absences based on actuarial valuation. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Company recognizes actuarial gains and losses immediately in the statement of income.

(x) Share based payment transaction

Employees of the Company receive remuneration in the form of equity settled instruments, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The expense is recognized in the statement of income with a corresponding increase to the share based payment reserve, a component of equity.
The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortization). The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

(xi) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
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. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

(xii) Revenue

The Company derives revenue primarily from software development and related services, The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

*a) Time and materials contracts*

Revenues and costs relating to time and materials contracts are recognized as the related services are rendered.

*b) Fixed-price contracts*

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity.
If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable.
When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the statement of income in the period in which such losses become probable based on the current contract estimates.
'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.
'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers'.

*c) Maintenance contracts*

Revenue from maintenance contracts is recognized ratably over the period of the contract using the percentage of completion method. When services are performed through an indefinite number of repetitive acts over a specified period of time, revenue is recognized on a straight line basis over the specified period or under some other method that better represents the stage of completion.

In arrangements for software development and related services and maintenance services, the company has applied the guidance in IAS 18, Revenue, by applying the revenue recognition criteria for each separately identifiable component of a single transaction. The arrangements generally meet the criteria for considering software development and related services as separately identifiable components. For allocating the consideration, the company has measured the revenue in respect of each separable component of a transaction at its fair value, in accordance with principles given in IAS 18
The Company accounts for volume discounts and pricing incentives to customers by reducing the amount of revenue recognized at the time of sale.
Revenues are shown net of sales tax, value added tax, service tax and applicable discounts and allowances.
The Company accrues the estimated cost of post contract support services at the time when the revenue is recognized. The accruals are based on the Company's historical experience of material usage and service delivery costs.

(xiii) Finance income and expense

Finance income consists of interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized as it accrues in the statement of income, using the effective interest method.
Dividend income is recognized in the statement of income on the date that the Company's right to receive payment is established.
Finance expenses consist of interest expense on loans and borrowings and impairment losses recognized on financial assets (other than trade receivables). Borrowing costs are recognized in the statement of income using the effective interest method.
Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through profit or loss.

(xiv) Income tax

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent it relates to items directly recognized in equity or in other comprehensive income.

*a) Current income tax*
Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. The Company 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 liability simultaneously.

*b) Deferred income tax*

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in 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 profits or loss at the time of the transaction.
Deferred income tax asset are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.
Deferred income tax liabilities are recognized for all taxable temporary differences.
The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(xv) Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period.
Diluted EPS is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic EPS and also weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

(xvi) Government grants

Grants from the government are recognised when there is reasonable assurance that:

(i) the Group will comply with the conditions attached to them; and
(ii) the grant will be received.

Government grants related to revenue are recognised on a systematic basis in the statement of income over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense. Where the Group receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost it is recognised at a nominal value.

(xvii) New standards and interpretations not yet adopted

IFRS 9 Financial Instruments: In November 2009, the International Accounting Standards Board issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39. The effective date for IFRS 9 is annual periods beginning on or after January 1, 2015 with early adoption permitted. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. IFRS 9, was further amended in October 2010, and such amendment introduced requirements on accounting for financial liabilities. This amendment addresses the issue of volatility in the profit or loss due to changes in the fair value of an entity‘s own debt. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity‘s own credit risk in the other comprehensive income. The company is required to adopt IFRS 9 by accounting year commencing April 1, 2015. The company is currently evaluating the requirements of IFRS 9, and has not yet determined the impact on the consolidated financial statements.

IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities: In May 2011, the International Accounting Standards Board issued IFRS 10, IFRS 11 and IFRS 12. The effective date for IFRS 10, IFRS 11 and IFRS 12 is annual periods beginning on or after January 1, 2013 with early adoption permitted.

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated interim financial statements of the parent company. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation of Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. The standard provides additional guidance for the determination of control in cases of ambiguity such as franchisor franchisee relationship, de facto agent, silos and potential voting rights.
IFRS 11 Joint Arrangements determines the nature of an arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities-Non-monetary Contributions by Venturers. IFRS 11 addresses only forms of joint arrangements (joint operations and joint ventures) where there is joint control whereas IAS 31 had identified three forms of joint ventures, namely jointly controlled operations, jointly controlled assets and jointly controlled entities. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities, which is the equity method.
IFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. One major requirement of IFRS 12 is that an entity needs to disclose the significant judgments and assumptions it has made in determining:

a. whether it has control, joint control or significant influence over another entity; and
b. the type of joint arrangement when the joint arrangement is structured through a separate vehicle.

IFRS 12 also expands the disclosure requirements for subsidiaries with non-controlling interest, joint arrangements and associates that are individually material. IFRS 12 introduces the term 'structured entity' by replacing Special Purpose entities and requires enhanced disclosures by way of nature and extent of, and changes in, the risks associated with its interests in both its consolidated and unconsolidated structured entities.
The company will be adopting IFRS 10, IFRS 11 and IFRS 12 effective April 1, 2013. The company has evaluated the requirements of IFRS 10, IFRS 11 and IFRS 12 and the company does not believe that the adoption of these standards will have a material effect on its consolidated financial statements.

IFRS 13 Fair Value Measurement: In May 2011, the International Accounting Standards Board issued IFRS 13, Fair Value Measurement to provide specific guidance on fair value measurement and requires enhanced disclosures for all assets and liabilities measured at fair value, and not restricted to financial assets and liabilities. The standard introduces a precise definition of fair value and a consistent measure for fair valuation across assets and liabilities, with a few specified exceptions. The effective date for IFRS 13 is annual periods beginning on or after January 1, 2013 with early adoption permitted. The company is required to adopt IFRS 13 by accounting year commencing April 1, 2013 and is currently evaluating the requirements of IFRS 13, and has not yet determined the impact on the consolidated financial statements.

IAS 1 (Amended) Presentation of Financial Statements: In June 2011, the International Accounting Standard Board published amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 Presentation of Financial Statements require companies preparing financial statements in accordance with IFRS to group items within other comprehensive income that may be reclassified to the profit or loss separately from those items which would not be recyclable in the profit or loss section of the income statement. It also requires the tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax).

The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. This amendment is applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted. The company is required to adopt IAS 1 (Amended) by accounting year commencing April 1, 2013. The company has evaluated the requirements of IAS 1 (Amended) and the company does not believe that the adoption of IAS 1 (Amended) will have a material effect on its consolidated financial statements.

IAS 19 (Amended) Employee Benefits: In June 2011, International Accounting Standards Board issued IAS 19 (Amended), Employee Benefits. The effective date for adoption of IAS 19 (Amended) is annual periods beginning on or after January 1, 2013, though early adoption is permitted.
IAS 19 (Amended) has eliminated an option to defer the recognition of gains and losses through re-measurements and requires such gain or loss to be recognized through other comprehensive income in the year of occurrence to reduce volatility. The amended

standard requires immediate recognition of effects of any plan amendments. Further it also requires assets in profit or loss to be restricted to government bond yields or corporate bond yields, considered for valuation of Projected Benefit Obligation, irrespective of actual portfolio allocations. The actual return from the portfolio in excess of or less than such yields is recognized through other comprehensive income.
These amendments enhance the disclosure requirements for defined benefit plans by requiring information about the characteristics of defined benefit plans and risks that entities are exposed to through participation in those plans.
The amendments need to be adopted retrospectively. The company is required to adopt IAS 19 (Amended) by accounting year commencing April 1, 2013. The company is currently evaluating the requirements of IAS 19 (Amended) and has not yet determined the impact on the consolidated financial statements.

**4. Determination of fair values**

The Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

***(i) Property, plant and equipment***

The fair value of property, plant and equipment recognized as a result of a business combination is based on appraised market values and replacement cost determined by an external valuer.

***(ii) Intangible assets***

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets as determined by an external valuer.

***(iii) Investments in equity and debt securities and units of mutual funds***

The fair value of available-for-sale equity securities is determined using a valuation technique.
In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors. Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

***(iv) Derivatives***

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of foreign currency option contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

***(v) Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

***(vi) Share-based payment transactions***

The fair value of employee stock options is measured using the Black-Scholes valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

## 5. Property, plant and equipment

| Particulars | Land | Building | Computer systems* | Furniture, fixtures and equipment | Vehicles | Total |
|---|---|---|---|---|---|---|
| **Gross carrying value:** | | | | | | |
| As at April 1, 2011 | 97 | 1,626 | 1,544 | 1,959 | 3 | 5,229 |
| Additions | - | - | 143 | 138 | - | 281 |
| Disposal/adjustments | - | - | 49 | 35 | 1 | 85 |
| As at March 31, 2012 | 97 | 1,626 | 1,638 | 2,062 | 2 | 5,425 |
| **Accumulated depreciation/impairment:** | | | | | | |
| As at April 1, 2011 | 3 | 174 | 1,221 | 1,129 | 1 | 2,528 |
| Depreciation | 1 | 58 | 249 | 369 | 1 | 678 |
| Disposal/adjustments | - | - | 49 | 35 | - | 84 |
| As at March 31, 2012 | 4 | 232 | 1,421 | 1,463 | 2 | 3,122 |
| Capital work-in-progress | | | | | | 85 |
| **Net carrying value as at March 31, 2012** | **93** | **1,394** | **217** | **599** | **-** | **2,388** |
| **Gross carrying value:** | | | | | | |
| As at April 1, 2012 | 97 | 1,626 | 1,638 | 2,062 | 2 | 5,425 |
| Additions | - | - | 364 | 262 | - | 626 |
| Disposal/adjustments | - | - | 6 | 33 | - | 39 |
| As at March 31, 2013 | 97 | 1,626 | 1,996 | 2,291 | 2 | 6,012 |
| **Accumulated depreciation/impairment:** | | | | | | |
| As at April 1, 2012 | 4 | 232 | 1,421 | 1,463 | 2 | 3,122 |
| Depreciation | 1 | 57 | 221 | 323 | - | 602 |
| Disposal/adjustments | - | - | 5 | 30 | - | 35 |
| As at March 31, 2013 | 5 | 289 | 1,637 | 1,756 | 2 | 3,689 |
| Capital work-in-progress | | | | | | 571 |
| **Net carrying value as at March 31, 2013** | **92** | **1,337** | **359** | **535** | **-** | **2,894** |

*Computer systems includes software.

The depreciation expense for the year ended March 31, 2013 and March 31, 2012 is included in the following line items in the statement of income.

| **Particulars** | **Year ended** | |
|---|---|---|
| | **March 31, 2013** | **March 31, 2012** |
| Cost of revenues | 548 | 617 |
| Selling, general and administrative expenses | 54 | 61 |
| **Total** | **602** | **678** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The Carrying value of land includes Rs 59 and Rs 60 as at March 31, 2013 and March 31, 2012 towards deposits paid under lease agreement to use the land for 90-95 years and the ownership of the land does not vest with the Group after the lease period.
Further carrying value of land includes Rs 11 towards deposit paid for use of land for 95 years with an option of renewing the lease subject to fulfillment of certain conditions and restrictions.

## 6. Intangible assets

The Company has only one class of intangible asset i.e intellectual property and a summary of changes in its carrying value is given below:

| Particulars | Intellectual property |
|---|---|
| **Gross carrying value:** | |
| As at April 1, 2011 | 67 |
| Additions | - |
| Disposal/adjustments | - |
| As at March 31, 2012 | 67 |
| **Accumulated amortisation/impairment:** | |
| As at April 1, 2011 | 12 |
| Amortisation | 13 |
| Disposal/adjustments | - |
| As at March 31, 2012 | 25 |
| Capital work-in-progress | |
| **Net carrying value as at March 31, 2012** | 42 |
| **Gross carrying value:** | |
| As at April 1, 2012 | 67 |
| Additions | - |
| Disposal/adjustments | - |
| As at March 31, 2013 | 67 |
| **Accumulated amortisation/impairment:** | |
| As at April 1, 2012 | 25 |
| Amortisation | 14 |
| Disposal/adjustments | - |
| As at March 31, 2013 | 39 |
| Capital work-in-progress | - |
| **Net carrying value as at March 31, 2013** | 28 |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The amortisation expense for the year ended March 31, 2013 and March 31, 2012 is included in the following line items in the statement of income.

| **Particulars** | **Year ended** | |
|---|---|---|
| | **March 31, 2013** | **March 31, 2012** |
| Cost of revenues | 13 | 12 |
| Selling, general and administrative expenses | 1 | 1 |
| **Total** | **14** | **13** |

## 7. Available-for-sale financial assets

Investments in liquid and short term mutual fund units and unlisted equity securities are classified as available-for-sale financial assets.

Cost and fair value of investments in liquid and short term mutual fund units and unlisted equity securities are as follows:

| **Particulars** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| **Non-current** | | |
| Investment in unlisted equity securities and mutual funds | | |
| Cost | 231 | 8 |
| Gross unrealised holding gains | 4 | 3 |
| Fair value | 235 | 11 |
| **Current** | | |
| Investment in liquid and short term mutual funds | | |
| Cost | 3,628 | 2,751 |
| Gross unrealised holding gains | 82 | 52 |
| Fair value | 3,710 | 2,803 |
| **Total available-for-sale financial assets** | **3,945** | **2,814** |

Net change in fair value of available-for-sale financial assets reclassified to the statement of income was Rs 47 and 15 for the year ending March 31, 2013 and March 31, 2012 respectively.

## 8. Trade receivables

| **Particulars** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| Trade receivables | 4,554 | 4,117 |
| Allowance for doubtful accounts receivable | (46) | (40) |
| **Total** | **4,508** | **4,077** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

## 9. Cash and cash equivalents

Cash and cash equivalents consist of the following:

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Cash balances | - | - |
| Current and time deposits with banks | 1,252 | 602 |
| **Cash and cash equivalents on statement of financial position** | **1,252** | **602** |
| Book overdrafts used for cash management purposes | (136) | (125) |
| **Cash and cash equivalents in the cash flow statement** | **1,116** | **477** |

Balance with banks amounting to Rs 4 and Rs 4 as of March 31, 2013 and March 31, 2012 included above represents amount pledged with statutory and other authorities as margin money and unpaid dividends and are therefore restricted.

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

## 10. Other assets

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| *Non-current* | | |
| Capital advances | 127 | 102 |
| Security deposits | 481 | 490 |
| Prepaid expenses | 179 | 202 |
| Others | 64 | - |
| | **851** | **794** |
| *Current* | | |
| Interest bearing deposits with corporates | 400 | 325 |
| Prepaid expenses | 368 | 309 |
| Advance to employees | 207 | 150 |
| Advance to suppliers | 145 | 19 |
| Interest accrued and not due | 29 | 17 |
| Deposits | 115 | 34 |
| Others | 84 | 38 |
| | **1,348** | **892** |
| **Total** | **2,199** | **1,686** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

## 11. Loans and borrowings

A summary of loans and borrowings is as follows:

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| *Non-current* | | |
| Unsecured long-term loan | 24 | 26 |
| | **24** | **26** |
| *Current* | | |
| Current portion of unsecured long-term loan and borrowings | 5 | 5 |
| Secured bank loans | 217 | 407 |
| Bank overdraft | 136 | 125 |
| | **358** | **537** |
| **Total** | **382** | **563** |

Unsecured long term borrowings represent the amount received from Council for Scientific and Industrial Research (CSIR) to develop a project under "Development of Intelligent Video Surveillance Server (IVSS) system".

The loan is an unsecured loan carrying a simple interest of 3% p.a on the outstanding amount of loan. Repayment of loan is in 10 equal annual installments commencing from June 2011. The project implementation period was a moratorium period ending May 2011 and was not liable for repayment of installments and interest during the said period. However, the interest accrued during the period is amortized and is payable in 3 equal annual installments commencing from June 2011. Any delay in repayment entails a liability of 12% p.a. compounded monthly for the period of delay.

There is no continuing default in the repayment of the principal loan and interest amounts.

During the year, the Company has repaid packing credit loans of USD 8 million and availed additional packing credit loan of USD 4 million. These packing credit loans are secured against the trade receivables of the Group. As at March 31, 2013, the Company has outstanding packing credit loan of USD 4 million (As at March 31, 2012: USD 8 million). The Company has taken forward exchange contracts with respect to this loan.

## 12. Trade payables and accrued expenses

Trade payables and accrued expenses consist of the following

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Trade payables | 294 | 137 |
| Accrued expenses | 556 | 612 |
| **Total** | **850** | **749** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

## 13. Other liabilities and provisions

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **Non-current** | | |
| Interest accrued but not due on borrowings | - | 1 |
| Others | 63 | 43 |
| | **63** | **44** |
| **Current** | | |
| Interest accrued but not due on borrowings | 2 | 2 |
| Advances from customers | 42 | 69 |
| Employee and other liabilities | 1,023 | 847 |
| Statutory dues payable | 238 | 158 |
| Other liabilities | 12 | 8 |
| | **1,317** | **1,084** |
| **Total** | **1,380** | **1,128** |
| **Provisions** | | |
| Provision for discount | 145 | 109 |
| Provision for post contract support services | 3 | 5 |
| Others | 57 | 53 |
| **Total** | **205** | **167** |

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

| Particulars | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|
| Balance as at beginning of the year | 5 | 5 |
| Released during the year | (2) | - |
| Provision as at the end of the year | 3 | 5 |

Provision for discount

| Particulars | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|
| Balance as at beginning of the year | 109 | 49 |
| Provisions made during the year | 144 | 87 |
| Utilisations during the year | (95) | (27) |
| Released during the year | (13) | - |
| Provision as at the end of the year | 145 | 109 |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

Other provisions

Other provisions primarily represent provision for tax related contingencies and litigations. The timing of cash flows in respect of these provisions cannot be reasonably determined.

| **Particulars** | **Year ended March 31, 2013** | **Year ended March 31, 2012** |
|---|---|---|
| Balance as at beginning of the year | 53 | 2 |
| Provisions made during the year | 8 | 61 |
| Utilisations during the year | (4) | (10) |
| Provision as at the end of the year | 57 | 53 |

## 14. Employee benefit obligations

Employee benefit obligations comprises of following:

| **Particulars** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| Gratuity | 11 | 1 |
| Compensated absences | 262 | 228 |
| **Total** | **273** | **229** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

## 15. Financial instruments

### Financial instruments by category

The carrying value and fair value of financial instruments by categories as at March 31, 2013 is as follows:

| Particulars | Financial assets/ liabilities at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Financial liabilities measured at amortized cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Trade Receivables | - | 4,508 | - | - | 4,508 | 4,508 |
| Unbilled Revenue | - | 637 | - | - | 637 | 637 |
| Available-for-sale financial assets | - | - | 3,945 | - | 3,945 | 3,945 |
| Cash and cash equivalents | - | 1,252 | - | - | 1,252 | 1,252 |
| Derivative assets | 181 | - | - | - | 181 | 181 |
| Other assets | - | 1,241 | - | - | 1,241 | 1,241 |
| **Total assets** | **181** | **7,638** | **3,945** | **-** | **11,764** | **11,764** |
| **Liabilities** | | | | | | |
| Loans and borrowings | - | - | - | 382 | 382 | 382 |
| Trade payables and accrued expenses | - | - | - | 850 | 850 | 850 |
| Derivative Liabilities | 13 | - | - | - | 13 | 13 |
| Other liabilities | - | - | - | 1,305 | 1,305 | 1,305 |
| **Total liabilities** | **13** | **-** | **-** | **2,537** | **2,550** | **2,550** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The carrying value and fair value of financial instruments by categories as at March 31, 2012 is as follows:

| Particulars | Financial assets/ liabilities at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Financial liabilities measured at amortized cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Trade Receivables | - | 4,077 | - | - | 4,077 | 4,077 |
| Unbilled Revenue | - | 479 | - | - | 479 | 479 |
| Available-for-sale financial assets | - | - | 2,814 | - | 2,814 | 2,814 |
| Cash and cash equivalents | - | 602 | - | - | 602 | 602 |
| Derivative assets | 36 | - | - | - | 36 | 36 |
| Other assets | - | 1,020 | - | - | 1,020 | 1,020 |
| **Total assets** | **36** | **6,178** | **2,814** | **-** | **9,028** | **9,028** |
| **Liabilities** | | | | | | |
| Loans and borrowings | - | - | - | 563 | 563 | 563 |
| Trade payables and accrued expenses | - | - | - | 749 | 749 | 749 |
| Derivative Liabilities | 597 | - | - | - | 597 | 597 |
| Other liabilities | - | - | - | 1,086 | 1,086 | 1,086 |
| **Total liabilities** | **597** | **-** | **-** | **2,398** | **2,995** | **2,995** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

**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 of March 31, 2013 and March 31, 2012:

| Particulars | As of March 31, 2013 | Fair value measurement at end of the reporting period using | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | |
| Available-for-sale financial asset-Investments in mutual fund units | 3,932 | 3,932 | | |
| Available-for-sale financial asset-Investments in unlisted equity securities | 11 | | | 11 |
| Derivatives financial instruments-gain on outstanding foreign exchange forward and option | 181 | | 181 | |
| **Liabilities** | | | | |
| Derivatives financial instruments-loss on outstanding foreign exchange forward and option | 13 | | 13 | |

| Particulars | As of March 31, 2012 | Fair value measurement at end of the reporting | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | |
| Available-for-sale financial asset-Investments in mutual fund units | 2,803 | 2,803 | | |
| Available-for-sale financial asset-Investments in unlisted equity securities | 11 | | | 11 |
| Derivatives financial instruments-gain on outstanding foreign exchange forward and option | 36 | | 36 | |
| **Liabilities** | | | | |
| Derivatives financial instruments-loss on outstanding foreign exchange forward and option | 597 | | 597 | |

There have been no transfers between level 1, level 2 and level 3 for the year ended March 31, 2013.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

A reconciliation of changes in the fair value measurement of investments in unlisted securities in level 3 of the fair value hierarchy is given below:

| **Particulars** | **As at March 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Balance at the beginning of the year | 11 | 9 |
| Add: total gain recognised in other comprehensive income | - | 2 |
| Balance at the end of the year | 11 | 11 |

Income and interest expense for financial assets or financial liabilities that are not at fair value through profit or loss is as follows:

| **Particulars** | **Year ended** | |
|---|---|---|
| | **March 31, 2013** | **March 31, 2012** |
| Income from available-for-sale financial assets | 261 | 92 |
| Interest income on deposits | 94 | 84 |
| Interest expense | (12) | (7) |

**Derivative financial instruments**

The Company uses derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange rates on forecasted cash flows denominated in certain foreign currencies. The counterparty for these contracts is a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.
The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

| **Particulars** | **As at March 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Designated derivative instruments (Sell) | | |
| In US $ | 113 | 113 |
| In Euro | 11 | 9 |
| Non-designated derivative instruments (Sell) | | |
| In US $ | - | 29 |
| In Euro | - | - |
| Non-designated derivative instruments (Buy) | | |
| In US $ | 4 | 8 |

The Company recognized a net foreign exchange gain on derivative financial instruments of Rs 303, and Rs 4 for the years ended March 31, 2013 and 2012, respectively. These amounts are included in finance income.

In respect of foreign currency derivative contracts designated as cash flow hedges, the Company has recorded a gain of Rs 355 million and a loss of Rs 282 million in other comprehensive income (net of taxes) as a component of equity for the year ended March 31, 2013 and March 31, 2012 respectively.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The following table summarizes activity in the cash flow hedging reserve within equity related to all derivative instruments classified as cash flow hedges:

| Particulars | As at March 31, | |
|---|---|---|
| | 2013 | 2012 |
| Balance at the beginning of the year | (250) | 81 |
| Net (gain)/loss reclassified into the statement of income on occurrence of hedged transactions | 250 | (92) |
| Changes in fair value of effective portion of derivatives | 173 | (239) |
| Balance at the end of the year | 173 | (250) |

As at March 31, 2013 and March 31, 2012 there were no significant gains or losses on derivative transactions or portions thereof that have become ineffective as hedges, or associated with an underlying exposure that did not occur.

The foreign exchange forward and option contracts mature anywhere between 0-1 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

| Particulars | As at March 31, | |
|---|---|---|
| | 2013 | 2012 |
| **Designated derivative instruments (Sell)** | | |
| Not later than 1 month | 13 | 8 |
| Later than 1 month but not later than 3 months | 25 | 16 |
| Later than 3 months but not later than 1 year | 89 | 101 |
| Later than 1 year | - | - |
| **Non-designated derivative instruments (Sell)** | | |
| Not later than 1 month | - | 5 |
| Later than 1 month but not later 3 months | - | 8 |
| Later than 3 months but not later 1 year | - | 17 |
| Later than 1 year | - | - |

**Financial risk management**

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the company is foreign exchange risk. The company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits, continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company also assesses the financial reliability of customers taking into account the financial condition, current economic trends and historical bad debts and ageing of accounts receivables. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

*Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The following table gives details in respect of percentage of revenues generated from top customer and top 5 customers:

| Particulars | Year ended March 31, | |
|---|---|---|
| | 2013 | 2012 |
| Revenue from top customer | 1,876 | 1,338 |
| Revenue from top 5 customer | 7,836 | 5,518 |

No single customer accounted for more than 10% of the receivables and revenues for the years March 31, 2013 and March 31, 2012 and hence there is no significant concentration of credit risk.

*Investments*

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non- performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors.

### Financial assets that are neither past due nor impaired

Cash and cash equivalents, available-for-sale financial assets and interest bearing deposits with corporates are neither past due nor impaired. Cash and cash equivalents include deposits with banks with high credit-ratings assigned by international and domestic credit-rating agencies. Available-for-sale financial assets include investment in liquid mutual fund units and unlisted equity instruments. Deposits with corporates represent funds deposited with financial institutions for a specified time period. Of the total trade receivables, Rs 3,716 million and Rs 3,608 million as of March 31, 2013, and March 31, 2012, respectively, were neither past due nor impaired.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

**Financial assets that are past due but not impaired**

There is no other class of financial assets that is past due but not impaired except for trade receivables. The company's credit period generally ranges from 30-90 days. The age wise break up of trade receivables, net of allowances that are past due, is given below:

| Period (in days) | As at March 31, | |
|---|---|---|
| | **2013** | **2012** |
| Past due 0-30 days | 378 | 203 |
| Past due 30-60 days | 108 | 121 |
| Past due 60-90 days | 41 | 63 |
| Past due over 90 days | 265 | 82 |
| **Total past due and not impaired** | **792** | **469** |

The allowance for impairment in respect of trade receivables for the year ended March 31, 2013 and March 31 2012 was Rs 28 and Rs 50 respectively. The movement in the allowance for impairment in respect of trade receivables is as follows:

| **Particulars** | As at March 31, | |
|---|---|---|
| | **2013** | **2012** |
| Balance at the beginning of the year | 40 | 35 |
| Additions during the year | 28 | 50 |
| Trade receivables written off | (22) | (45) |
| Balance at the end of the year | 46 | 40 |

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks.
The Company’s corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The working capital position of the company is given below:

| **Particulars** | As at | |
|---|---|---|
| | **March 31, 2013** | **March 31, 2012** |
| Cash and cash equivalents | 1,252 | 602 |
| Available-for-sale investments | 3,710 | 2,803 |
| Interest bearing deposits with corporates | 400 | 325 |
| **Total** | **5,362** | **3,730** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2013 and March 31, 2012:

| Particulars | As at March 31, 2013 | | |
|---|---|---|---|
| | Less than 1 year | 1-2 years | 2 years and above |
| Loans and borrowings and bank overdraft | 358 | 5 | 27 |
| Trade payables and accrued expenses | 850 | - | - |
| Derivative Liabilities | 13 | | |
| Other liabilities | 1,305 | | |

| Particulars | As at March 31, 2012 | | |
|---|---|---|---|
| | Less than 1 year | 1-2 years | 2 years and above |
| Loans and borrowings and bank overdraft | 537 | 5 | 32 |
| Trade payables and accrued expenses | 749 | - | - |
| Derivative Liabilities | 597 | | |
| Other liabilities | 1,086 | | |

**Foreign Currency risk**

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars, British pound sterling and euros) and foreign currency borrowings (in U.S. dollars). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future.
The Company has a foreign currency advisory committee which meets on a periodic basis to formulate the strategy for foreign currency risk management.
Consequently, the Company uses derivative financial instruments, such as foreign exchange forward and option contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.
The Company has designated certain derivative instruments as cash flow hedge to mitigate the foreign exchange exposure of forecasted highly probable cash flows.

The details in respect of the outstanding foreign exchange forward and option contracts are given under the derivative financial instruments section.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

In respect of the Company's forward and option contracts, a 1% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

a) an approximately Rs 69 increase/decrease in the Company's hedging reserve and an approximately Rs Nil increase/decrease in the Company's net profit as at March 31, 2013;
b) an approximately Rs 63 increase/decrease in the Company's hedging reserve and an approximately Rs 17 increase/decrease in the Company's net profit as at March 31, 2012; and

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2013 and March 31, 2012.

**As at March 31, 2013**

| Particulars | US $ | Euro | Pound Sterling | Other currencies * | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Trade Receivables | 2,704 | 731 | 396 | 332 | 4,163 |
| Unbilled Revenue | 564 | 21 | 10 | 9 | 604 |
| Cash and cash equivalents | 459 | 134 | 88 | 133 | 814 |
| Other assets | 103 | 8 | 17 | 9 | 137 |
| **Liabilities** | | | | | |
| Loans and borrowings | 217 | - | - | - | 217 |
| Trade payables and accrued expenses | 106 | 10 | 7 | 19 | 142 |
| Other liabilities | 111 | 33 | 44 | 49 | 237 |
| **Net assets/liabilities** | **3,396** | **851** | **460** | **415** | **5,122** |

* Others include currencies such as Singapore $, Australian $, Canadian $, Japanese Yen etc

**As at March 31, 2012**

| Particulars | US $ | Euro | Pound Sterling | Other currencies | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Trade Receivables | 2,661 | 626 | 248 | 214 | 3,749 |
| Unbilled Revenue | 267 | 2 | 14 | - | 283 |
| Cash and cash equivalents | 193 | 51 | 41 | 61 | 346 |
| Other assets | 61 | 1 | 11 | 10 | 83 |
| **Liabilities** | | | | | |
| Loans and borrowings | 407 | - | - | - | 407 |
| Trade payables and accrued expenses | 270 | 39 | 34 | 42 | 385 |
| Other liabilities | 288 | 39 | 55 | 55 | 437 |
| **Net assets/liabilities** | **2,217** | **602** | **225** | **188** | **3,232** |

* Others include currencies such as Singapore $, Australian $, Canadian $, Japanese Yen etc

**(Rupees in millions, except share and per share data, unless otherwise stated)**

For the year ended March 31, 2013 and 2012 respectively, every 1% increase/decrease of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.37 % and 0.58% respectively.

**Interest rate risk**

Interest rate risk primarily arises from floating rate borrowing, including various revolving and other lines of credit. The Company's borrowings and investments are primarily short-term, which do not expose it to significant interest rate risk.

For details of the Company's borrowings and investments, refer to note 7, 10 and 11 above.

## 16. Income taxes

Income tax expense in the statement of income consists of:

| **Particulars** | **Year ended March 31,** | |
|---|---|---|
| | **2013** | **2012** |
| **Current taxes** | | |
| Domestic | 673 | 278 |
| Foreign | 214 | 256 |
| **Total** | **887** | **534** |
| **Deferred taxes** | | |
| Domestic | (18) | (62) |
| Foreign | (22) | (42) |
| **Total** | **(40)** | **(104)** |
| **Grand total** | **847** | **430** |

Tax expenses for the year ended March 31, 2013, includes a credit of Rs 97 million pertaining to earlier years.

Similarly, tax expense for the year ended March 31, 2012 includes a charge of Rs 37 relating to earlier periods in a foreign jurisdiction.

Income tax expense has been allocated as follows:

| **Particulars** | **Year ended March 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Income tax expense as per the statement of income | 847 | 430 |
| Income tax included in other comprehensive income on: | | |
| - unrealised gains on available-for-sale financial assets | 10 | 6 |
| - gains/(losses) on cash flow hedging derivatives | 68 | (48) |
| | 78 | (42) |
| **Total** | **925** | **388** |

The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:

**Mindtree Limited**
**Notes to the unaudited consolidated financial statements**
**(Rupees in millions, except share and per share data, unless otherwise stated)**

| **Particulars** | **Year ended March 31, 2013** | **Year ended March 31, 2012** |
|---|---|---|
| Profit before tax | 4,064 | 2,614 |
| Enacted income tax rate in India | 32.45% | 32.45% |
| Computed expected tax expense | 1,319 | 848 |
| **Effect of:** | | |
| Income exempt from tax | (501) | (570) |
| Temporary differences reversed during the tax holiday period | (3) | 15 |
| Expenses disallowed for tax purposes | 69 | 13 |
| Foreign Tax ( Net) | 63 | 106 |
| Tax reversals | (101) | 10 |
| Others | 1 | 8 |
| Total income tax expense | 847 | 430 |

The tax rates under Indian Income Tax Act, for the year ended March 31, 2013 and 2012 is 32.45%.

The Company has not created deferred tax assets on the following:

| **Particulars** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| Unused tax losses (long term capital loss) which expire in | | |
| - FY 2015-16 | 1 | 1 |
| - FY 2016-17 | 3 | 3 |
| - FY 2018-19 | 163 | 163 |
| - FY 2019-20 | 34 | - |
| Unused tax losses of foreign jurisdiction | 221 | 168 |

The components of deferred tax assets are as follows:

| **Particulars** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| Property, plant and equipment | 215 | 222 |
| Allowances for doubtful accounts receivable | 10 | 6 |
| Compensated absences | 84 | 39 |
| Others | 51 | 54 |
| | 360 | 321 |
| Minimum alternate tax | 165 | 246 |
| Cash flow hedges | (37) | 31 |
| Available for sale financial assets | (18) | (8) |
| **Total deferred tax assets (net)** | **470** | **590** |

A substantial portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations and profits from undertakings situated in Software Technology Parks and Export Oriented units. Under the tax holiday, the taxpayer can utilize an exemption from income taxes for a period of any ten consecutive years. The tax holidays on all facilities under Software Technology Parks and Export oriented units has expired on March 31, 2011. Additionally, under the Special Economic Zone Act, 2005 scheme, units in designated special economic zones providing service on or after April 1, 2005 will be eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits and gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions. Profits from certain other undertakings are also eligible for preferential tax treatment. In addition, dividend income from certain category of investments is exempt from tax. The difference between the reported income tax expense and income tax computed at statutory tax rate is primarily attributable to income exempt from tax.

Pursuant to the changes in the Indian income tax laws in fiscal 2007, Minimum Alternate Tax (MAT) has been extended to income in respect of which deduction is claimed under the tax holiday schemes discussed above; consequently, the Company has calculated its tax liability for current domestic taxes after considering MAT. The excess tax paid under MAT provisions over and above normal tax liability can be carried forward and set-off against future tax liabilities computed under normal tax provisions. The Company was required to pay MAT and accordingly, a deferred tax asset of Rs 165 and Rs 246 has been recognized in the statement of financial position as of March 31, 2013 and March 31, 2012 respectively, which can be carried forward for a period of ten years from the year of recognition.
The Company is also subject to US tax on income attributable to its permanent establishment in the United States due to operation of its US branch.

## 17. Equity

*a) Share capital and share premium*

The company has only one class of equity shares. The authorized share capital of the Company is 79,620,000 equity shares of Rs 10 each. Par value of the equity shares is recorded as share capital and the amount received in excess of the par value is classified as share premium.

The Company has only one class of shares referred to as equity shares having a par value of Rs 10.

Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The company declares and pays dividends in Indian rupees. A final dividend, including tax thereon, on common stock is recorded as a liability on the date of approval by the shareholders.
An interim dividend, including tax thereon, is recorded as a liability on the date of declaration by the board of directors.

Indian law mandates that any dividend be declared out of accumulated distributable profits only after the transfer to a general reserve of a specified percentage of net profit computed in accordance with current regulations. The remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable taxes.

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2013 and March 31, 2012 was Rs 4.5 and Rs 3.75 respectively.

The Board of Directors has proposed a second interim dividend and final dividend of Rs 4 and Rs 5 per equity share respectively for the year ended March 31, 2013. The proposal is subject to the approval of shareholders at the Annual General Meeting to be held on July 19, 2013, and if approved, would result in a cash outflow of approximately Rs 434, inclusive of corporate dividend tax of Rs 61.

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 after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

*b) Retained earnings*

Retained earnings comprises of the Company’s prior years’ undistributed earnings after taxes. A portion of these earnings amounting to Rs. 87 Mil is not freely available for distribution.

*c) Share based payment reserve*

The share based payment reserve is used to record the value of equity-settled share based payment transactions with employees. The amounts recorded in share based payment reserve are transferred to share premium upon exercise of stock options by employees.

*d) Cash flow hedging reserve*

Changes in fair value of derivative hedging instruments designated and effective as a cash flow hedge are recognized in other comprehensive income (net of taxes), and presented within equity in the cash flow hedging reserve.

*g) Other reserve*

Changes in the fair value of available-for-sale financial assets is recognized in other comprehensive income (net of taxes), and presented within equity in other reserve.

**Capital Management**

The Company’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company’s objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The capital structure is as follows:

| **Particulars** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| Total equity attributable to the equity share holders of the company | 13,622 | 9,747 |
| As percentage of total capital | 97% | 95% |
| Current loans and borrowings | 358 | 537 |
| Non-current loans and borrowings | 24 | 26 |
| Total loans and borrowings | 382 | 563 |
| As a percentage of total capital | 3% | 5% |
| **Total capital (loans and borrowings and equity)** | **14,004** | **10,310** |

The Company is predominantly equity financed which is evident from the capital structure table. Further, the Company has always been a net cash company with cash and bank balances along with available-for-sale financial assets which is predominantly investment in liquid and short term mutual funds being far in excess of debt.

## 18. Expenses by nature

| **Particulars** | **Year ended** | |
|---|---|---|
| | **March 31, 2013** | **March 31, 2012** |
| Employee benefits | 14,308 | 12,159 |
| Depreciation and amortisation charges | 617 | 691 |
| Recruitment, staff welfare and training expenses | 438 | 322 |
| Travel and conveyance | 935 | 1,103 |
| Communication expenses | 282 | 172 |
| Sub-contractor charges/Outsourced technical services/software purchases | 958 | 731 |
| Consumables/maintenance and repairs | 449 | 402 |
| Post contract support services | (1) | - |
| Power and fuel | 206 | 183 |
| Lease rentals/charges | 583 | 483 |
| Printing and stationery | 16 | 13 |
| Advertisement | 21 | 8 |
| Bank charges | 11 | 9 |
| Rates, taxes and insurance | 92 | 124 |
| Marketing expenses | 181 | 142 |
| Legal and professional expenses | 265 | 233 |
| Provision for doubtful accounts receivable | 28 | 50 |
| Others | 107 | 75 |
| **Total cost of revenues, selling, general and administrative expenses** | **19,496** | **16,900** |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

## 19. Employee benefits

a) Employee costs include

| Particulars | Year ended | |
|---|---|---|
| | **March 31, 2013** | **March 31, 2012** |
| Salary and allowances | 13,029 | 11,227 |
| Defined benefit plan - Gratuity cost | 65 | 28 |
| Contribution to provident and other funds | 1,042 | 905 |
| Share based compensation | 172 | (1) |
| **Total** | **14,308** | **12,159** |

The employee benefit cost is recognized in the following line items in the statement of income:

| Particulars | Year ended | |
|---|---|---|
| | **March 31, 2013** | **March 31, 2012** |
| Cost of revenues | 12,086 | 10,161 |
| Selling, general and administrative expenses | 2,222 | 1,998 |
| **Total** | **14,308** | **12,159** |

b) Defined benefit plans

Amount recognized in the statement of income in respect of gratuity cost (defined benefit plan) is as follows:

| Particulars | For the year ended March 31, | |
|---|---|---|
| | **2013** | **2012** |
| **Gratuity cost** | | |
| Service cost | 62 | 41 |
| Interest cost | 19 | 19 |
| Expected return on plan assets | (23) | (19) |
| Actuarial (gain)/loss | 7 | (13) |
| **Net gratuity cost** | **65** | **28** |
| Actual Return on plan assets | 24 | 56 |
| | | |
| **Assumptions** | | |
| Interest rate | 7.96% | 8.54% |
| Expected rate of return on plan assets | 8% | 7.50% |
| Salary increase | 6% | 6% |
| Attrition rate | 13.38% | 18.2% |
| Retirement age | 60 | 60 |

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.
The expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The following table sets out the status of the gratuity plan.

| **Particulars** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| **Change in projected benefit obligations** | | |
| Obligations at the beginning of the year | 276 | 265 |
| Service cost | 62 | 41 |
| Interest cost | 19 | 19 |
| Benefits settled | (41) | (74) |
| Actuarial (gain)/loss | 8 | 25 |
| **Obligations at end of the year** | **324** | **276** |
| | | |
| **Change in plan assets** | | |
| Plan assets at the beginning of the year, at fair value | 275 | 257 |
| Expected return on plan assets | 23 | 19 |
| Actuarial gain/(loss) | 1 | 38 |
| Contributions | 55 | 35 |
| Benefits settled | (41) | (74) |
| **Plan assets at the end of the year, at fair value** | **313** | **275** |

Historical Information: -

| | **Year ended March 31,** | | | | |
|---|---|---|---|---|---|
| **Particulars** | **2013** | **2012** | **2011** | **2010** | **2009** |
| Present value of defined benefit obligation | (324) | (276) | (265) | (229) | (175) |
| Fair Value of Plan | 313 | 275 | 257 | 227 | 168 |
| Asset/ (liability) recognised | (11) | (1) | (8) | (2) | (7) |

The experience adjustments, meaning difference between changes in plan assets and obligations expected on the basis of actuarial assumption and actual changes in those assets and obligations are as follows:

| **Particulars** | **As at** | |
|---|---|---|
| | **March 31,2013** | **March 31,2012** |
| Experience adjustment on plan liabilities | 8 | 25 |
| Experience adjustment on plan assets | 1 | 38 |

The company expects to contribute Rs 55 to its defined benefit plans during the year ending March 31, 2014.

As at March 31, 2013 and 2012, 100% of the plan assets were invested in insurer managed funds.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

## 20. Finance and other income

| Particulars | Year ended | |
|---|---|---|
| | Mar 31, 2013 | Mar 31, 2012 |
| Interest income | 94 | 84 |
| Gain on sale of available-for-sale financial assets | 133 | 27 |
| Gain on sale of property, plant and equipment | 5 | 1 |
| Dividend income | 128 | 65 |
| Others | 20 | 42 |
| **Total** | **380** | **219** |

## 21. Earnings per equity share

Reconciliation of the number of equity shares used in the computation of basic and diluted earnings per equity share is set out below:

| Particulars | For the year ended March 31, 2013 | | For the year ended March 31, 2012 | |
|---|---|---|---|---|
| | Basic EPS | Diluted EPS | Basic EPS | Diluted EPS |
| Weighted average number of equity shares outstanding during the year | 40,974,712 | 40,974,712 | 40,295,202 | 40,295,202 |
| Weighted average number of equity shares resulting from assumed exercise of employee stock options | - | 521,584 | - | 67,957 |
| Weighted average number of equity shares for calculation of earnings per share | 40,974,712 | 41,496,296 | 40,295,202 | 40,363,159 |

## 22. Employee stock incentive plans

The Company instituted the Employees Stock Option Plan ('ESOP') in fiscal 2000, which was approved by the Board of Directors (Board). Under the ESOP, the Company currently administers seven stock option programs. The terms and conditions of each program is highlighted below.

Program 1 [ESOP 1999]

Options under this program are exercisable at an exercise price of Rs 10 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees who have joined on or before September 30, 2001 or have been issued employment offer letters on or before August 7, 2001. This plan was terminated on September 30, 2001. The contractual life of each option is 11 years after the date of grant.

Program 2 [ESOP 2001]

Options under this program have been granted to employees at an exercise price of Rs 50 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees who have joined on or after October 1, 2001 or have been issued employment offer letters on or after August 8, 2001 or options granted to existing employees with grant date on or after October 1, 2001. This plan was terminated on April 30, 2006. The contractual life of each option is 11 years after the date of grant.

Program 3 [ESOP 2006 (a)]

Options under this program have been granted to employees at an exercise price of Rs 250 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees to whom the options are granted on or after May 1, 2006. This plan was terminated on October 25, 2006. The contractual life of each option is 5 years after the date of grant.

Program 4 [ESOP 2006 (b)]

Options under this program are granted to employees at an exercise price periodically determined by the Compensation Committee. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees to whom the options are granted on or after October 25, 2006. The contractual life of each option is 5 years after the date of grant.

Program 5 [ESOP 2008A]

Options under this program are granted to employees of erstwhile Aztecsoft Limited as per swap ratio of 2:11 as specified in the merger scheme. Each new option is entitled to 1 equity share of Rs 10 each.

Directors' Stock Option Plan, 2006 ('DSOP 2006')

Options under this program have been granted to independent directors at an exercise price periodically determined by the compensation committee. All stock options vest equally over three year vesting term at the end of 1, 2 and 3 years respectively from the date of the grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. The contractual life of each option is 4 years after the date of the grant.

Program 7 [ESOP 2010A]

In-principle approvals for administering the seventh stock option program i.e. ESOP 2010 (A) has been received from the BSE and NSE during the previous year for 1,135,000 equity shares of Rs. 10 each. No options have been granted under the program as at March 31, 2012.

Employee Restricted Stock Purchase Plan 2012 ('ERSP 2012')

ERSP 2012 was instituted with effect from July 16, 2012 to further issue upto 1,000,000 equity shares of nominal value of Rs 10 each. Shares under this program are granted to employees at an exercise price of not less than Rs 10 per equity share or such higher price as decided by the Board of Directors. Shares shall vest over such term as determined by the Board of Directors not exceeding ten years from the date of the grant. All shares will have a minimum lock in period of one year from the date of allotment.

Activities in various programs as explained above during the year ended March 31, 2013 and March 31, 2012 are set out below:

# Mindtree Limited
## Notes to the unaudited consolidated financial statements
## (Rupees in millions, except share and per share data, unless otherwise stated)

| Particulars | Year Ended March 31, 2013 | | Year Ended March 31, 2012 | |
|---|---|---|---|---|
| | Number of Share options | Weighted average Exercise Price | Number of Share options | Weighted average Exercise Price |
| **Program 1:** | | | | |
| Outstanding at the beginning | 4,000 | 10 | 4,088 | 10 |
| Forteited during the year | - | - | - | - |
| Lapsed during the year | 3,500 | 10 | - | - |
| Exercised during the year | 500 | 10 | 88 | 10 |
| Outstanding at the end | - | 10 | 4,000 | 10 |
| Exercisable at the end | - | 10 | 4,000 | 10 |
| **Program 2:** | | | | |
| Outstanding at the beginning | 79,367 | 50 | 126,763 | 50 |
| Forteited during the year | - | - | - | - |
| Lapsed during the year | 5,612 | 50 | 7,272 | 50 |
| Exercised during the year | 25,837 | 50 | 40,124 | 50 |
| Outstanding at the end | 47,918 | 50 | 79,367 | 50 |
| Exercisable at the end | 47,918 | 50 | 79,367 | 50 |
| **Program 3:** | | | | |
| Outstanding at the beginning | - | - | 83,548 | 250 |
| Forteited during the year | - | - | 35 | 250 |
| Lapsed during the year | - | - | 38,255 | 250 |
| Exercised during the year | - | - | 45,258 | 250 |
| Outstanding at the end | - | - | - | - |
| Exercisable at the end | - | - | - | - |
| **Program 4:** | | | | |
| Outstanding at the beginning | 1,349,038 | 380 | 2,308,946 | 357 |
| Option Granted during the year | - | | 110,000 | 444 |
| Forteited during the year | 41,000 | 508 | 174,145 | 402 |
| Lapsed during the year | 97,528 | 383 | 486,768 | 337 |
| Exercised during the year | 905,860 | 337 | 408,995 | 309 |
| Outstanding at the end | 304,650 | 491 | 1,349,038 | 380 |
| Exercisable at the end | 115,225 | 501 | 1,013,388 | 349 |
| **Program 5:** | | | | |
| Outstanding at the beginning | 124,803 | 390 | 150,218 | 395 |
| Forteited during the year | - | | - | - |
| Lapsed during the year | 2,118 | 171 | 24,477 | 425 |
| Exercised during the year | 14,437 | 405 | 938 | 162 |
| Outstanding at the end | 108,248 | 393 | 124,803 | 390 |
| Exercisable at the end | 108,248 | 393 | 124,803 | 390 |
| **Program 6: DSOP** | | | | |
| Outstanding at the beginning | 151,667 | 495 | 165,000 | 484 |
| Option Granted during the year | 20,000 | 556 | - | - |
| Forteited during the year | - | | - | - |
| Lapsed during the year | - | | - | - |
| Exercised during the year | 36,667 | 259 | 13,333 | 355 |
| Outstanding at the end | 135,000 | 559 | 151,667 | 495 |
| Exercisable at the end | 76,667 | 560 | 75,001 | 413 |
| **ERSP 2012** | | | | |
| Outstanding at the beginning | - | - | - | - |
| Option Granted during the year | 7,831 | 10 | - | - |
| Forteited during the year | - | - | - | - |
| Lapsed during the year | - | - | - | - |
| Exercised during the year | 7,831 | 10 | - | - |
| Outstanding at the end | - | - | - | - |
| Exercisable at the end | - | - | - | - |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

The weighted average share price of options exercised during the year ended March 31, 2013 and March 31, 2012 were Rs 684.80 and Rs 394.05 respectively.

The table below summarizes information about share options outstanding as of March 31, 2013:

| **Particulars** | **Options outstanding** | | |
|---|---|---|---|
| | **Number of shares arising out of options** | **Weighted average remaining contractual life (in years)** | **Weighted average exercise price (in Rs)** |
| Program 1 | - | - | - |
| Program 2 | 47,918 | 2.00 | 50.00 |
| Program 3 | - | - | - |
| Program 4 | 304,650 | 2.62 | 491.45 |
| Program 5 | 108,248 | 3.21 | 392.82 |
| DSOP 2006 | 135,000 | 1.95 | 559.41 |

The table below summarizes information about share options outstanding as of March 31, 2012:

| **Particulars** | **Options outstanding** | | |
|---|---|---|---|
| | **Number of Share options** | **Weighted average remaining contractual life** | **Range of exercise price** |
| Program 1 | 4,000 | 0.04 | 10 |
| Program 2 | 79,367 | 2.91 | 50 |
| Program 3 | - | - | 250 |
| Program 4 | 1,349,038 | 1.59 | 240-580 |
| Program 5 | 124,803 | 4.20 | 77-478 |
| Program 6 | 151,667 | 2.23 | 238-560 |

During the year ended March 31, 2013, 20,000 options under DSOP were granted by the Company.

The weighted average fair value of each option of Mindtree, granted during the year ended March 31, 2013 was Rs 393.56 using the Black-Scholes model with the following assumptions:

| | |
|---|---|
| Grant date share price | Rs 556 |
| Exercise price | Rs 556 |
| Dividend yield% | 0.18% |
| Expected life | 3 - 5 years |
| Risk free interest rate | 8.11% |
| Volatility | 101.5% |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

**23. Operating leases**

The Company has various operating leases, mainly for office buildings including land. Lease rental expense under such non-cancellable operating lease during the year ended March 31, 2013 and March 31, 2012 was Rs 172 and Rs 100 respectively.

Future minimum lease payments under non-cancelable operating lease as at March 31, 2013 is as below:

| Minimum lease payments | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Payable – Not later than one year | 214 | 149 |
| Payable – Later than one year and not later than five years | 563 | 266 |
| Payable – Later than five years | 201 | 212 |

Additionally, the Company leases office facilities and residential facilities under cancelable operating leases. The rental expense under cancellable operating lease during the year ended March 31, 2013 and March 31, 2012 was Rs 251 and Rs 254 respectively.

**24. Related party relationships and transactions**

| Name of related party | Nature of relationship |
|---|---|
| Amalgamated Bean Coffee Trading Company Limited (‘ABCTCL’)<br>Tanglin Developments Limited (‘TDL’) | These entities are part of Coffee Day Group which through various entities and its promoters holds 21% equity stake in Mindtree, and the group has a nominee on the Mindtree Board. |
| Janalakshmi Financial Services Private Limited | Entity with common key management person |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

*Transactions with the above related parties during the year were:*

*Transactions with the above related parties during the year were:*

**Rs in million**

| **Name of related party** | **Nature of transaction** | **Year ended March 31, 2013** | **2012** |
|---|---|---|---|
| Amalgamated Bean Coffee Trading Company Limited | Procurement of supplies | 13 | 16 |
| Tanglin Developments Limited | Leasing office buildings and land (net) | 310 | 296 |
| | Advance paid: | | |
| | - towards electricity deposit/ charges | 220 | - |
| | - towards lease rentals | 259 | - |
| | Advance received back: | | |
| | - towards electricity deposit/ charges | 108 | - |
| | - towards lease rentals | 147 | - |
| | Interest on advance towards electricity charges | 3 | - |

*Balances payable to related parties are as follows:*

| **Name of related party** | **As at March 31, 2013** | **As at March 31, 2012** |
|---|---|---|
| Tanglin Developments Limited | 9 | 6 |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

*Balances receivable from related parties are as follows:*

| Name of related party | Nature of transactions | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|---|
| Tanglin Developments Limited | Rental advance | | |
| | - Current | 112 | - |
| | - Non-current | - | |
| | Advance towards electricity charges | | |
| | - Current | 48 | - |
| | - Non-current | 64 | - |
| | Security deposit returnable on termination of lease | 345 | 345 |
| | Interest accrued on advance towards electricity charges | 3 | - |
| Janalakshmi Financial Services Private Limited | Interest bearing deposits | -* | 125 |

*Redeemed during the year including interest thereon

Key management personnel:

| | |
|---|---|
| Subroto Bagchi | Appointed as Chairman with effect from April 1, 2012 |
| Dr. Albert Hieronimus | Appointed as Non-executive Vice Chairman with effect from April 1, 2012 |
| N. Krishnakumar | CEO & Managing Director |
| S. Janakiraman | President & Chief Technology Officer |
| N S Parthasarathy* | President & COO |
| Anjan Lahiri* | President – IT Services |
| R. Srinivasan | Non-executive Director of Mindtree |
| V.G.Siddhartha | Non-executive Director of Mindtree |
| David B. Yoffie | Non-executive Director of Mindtree |
| Prof. Pankaj Chandra | Non-executive Director of Mindtree |
| Ramesh Ramanathan | Appointed as Non-executive Director of Mindtree with effect from May 2, 2012 |

**(Rupees in millions, except share and per share data, unless otherwise stated)**

*The Board elected Anjan Lahiri, as an additional Board member to hold office with effect from October 24, 2012 till the date of the next Annual General Meeting of the Company. The Board also elected N S Parthasarathy as an Alternate Director to S Janakiraman, with effect from October 22, 2012.

Transactions with key management personnel is as given below:

Key management personnel comprise directors and members of the executive council. Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2012 and March 31, 2011 have been detailed below:

| **Particulars** | **Year ended March 31,** | |
|---|---|---|
| | **2012** | **2011** |
| Whole-time directors | | |
| Salaries | 24 | 17 |
| Contribution to Provident fund | 1 | 1 |
| Bonus & Incentives | 39 | 26 |
| Reimbursement of expenses | 4 | 3 |
| Share-Based payments as per IFRS2 | - | - |
| **Total Remuneration** | **68** | **47** |
| Non-whole-time directors | | |
| Commission | 28 | 26 |
| Director Fees | - | - |
| **Total Remuneration** | **96** | **26** |

## 25. Commitments and contingencies

a) Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2013 and March 31, 2012 is Rs 470 and Rs 420.

b) The Group has received income tax assessment for the financial year 2008-09 wherein demand of Rs 24 million has been raised against the Group on account of certain disallowances, adjustments made by the income tax department. A significant portion of this amount arises from the manner of adjustment of brought forward losses in arriving at the taxable profits of the Group. The tax demand for financial year 2008-09 also includes disallowance of portion of profit earned outside India from the STP and SEZ units.
Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Group has filed an appeal against the demands received.

c) The Group has received income tax assessments for financial years 2006-07 and 2007-08 for the erstwhile subsidiary i.e. Mindtree Technologies Private Limited (MTPL) with demands amounting to Rs 11 million and Rs 10 million on account of certain disallowances/ adjustments made by income tax department. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Group has filed an appeal against the demand received. The Group has not deposited the amount of demand with the department.

d) The Group has received income tax assessments under Section 143(3) of the Income-tax Act 1961 which pertain to erstwhile Aztecsoft Limited for the financial years 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 wherein demand of Rs 91 million, Rs 49 million, Rs 61 million, Rs 28 million, Rs 58 million, Rs 119 million and Rs 214 million respectively has been raised against the Group. These demands have arisen mainly on account of transfer pricing adjustments made in the order. The Group has not accepted these orders and had been advised by its legal counsel/ advisors to prefer appeals before appellate authorities and accordingly the Group has filed appeals before the Commissioner of Income Tax (Appeals) and ITAT. The Group has deposited Rs.15 million with the department against these demands.

   During the current year, the Group has received draft assessment order under Section 143(3) of the Income Tax Act 1961 for the financial year 2008-09 wherein demand of Rs 65 million has been raised on account of transfer pricing adjustments and the Group is in the process of filing an appeal before the Dispute Resolution Panel.

   The Group had received a favourable order from the Commissioner of Income Tax (Appeals) for the year 2001-02 where in the Commissioner of Income Tax (Appeals) has accepted the Group's contentions and quashed the demand raised. The Income tax department had appealed against the above mentioned order with ITAT. ITAT, in an earlier year have passed an order setting aside both the Order of the Commissioner of Income Tax (Appeals) as well as the Assessing Officer and has remanded the matter back to the assessment officer for re-assessment. The Group has preferred an appeal with the Hon'ble High Court of Karnataka against the order of the ITAT. Further, the Hon'ble High Court of Karnataka has stayed the operation and all further proceedings pursuant to the order passed by the ITAT.

   During the current year, the Hon'ble High Court of Karnataka has dismissed the appeal filed against the order of ITAT and upheld the order passed by the ITAT and accordingly the case is pending before assessing officer for re-assessment.

   The Group had appealed against the demands received for financial years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08. Based on favourable order received by the Group for the financial year 2001-02 and an evaluation of the facts and circumstances, no provision has been made against the above orders in the financial statements.

e) The Group has received an assessment order for financial year 2006-07 for the erstwhile subsidiary Mindtree Wireless Private Limited from the Assistant Commissioner of Income-tax ('ACIT') with a demand amounting to Rs 39 million on account of certain other disallowances/ transfer pricing adjustments made by income tax department. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Group has filed an appeal with Commissioner of Income Tax (Appeals) against the demand received. The Group has deposited Rs 5 million with the department against this demand.

## 26. Segment information

The CEO & MD of the company has been identified as the Chief Operating Decision Maker (CODM). The CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers.

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 significant policies.

Industry segments for the company are primarily Information Technology ('IT') Services and Product Engineering ('PE') Services. IT Services offer consulting and implementation and post production support for customers in manufacturing, financial services, travel and leisure and other industries, in the areas of e-business, data warehousing and business intelligence, supply chain management, ERP and maintenance and re-engineering of legacy mainframe applications. PE Services provides full life cycle product engineering, professional services and sustained engineering services. It also enables faster product realization by leveraging the expertise in the areas of hardware design, embedded software, middleware and testing and through Mindtree's own IP building blocks in the areas of Bluetooth, VOIP, IVP6, iSCSI and others in datacom, telecom, wireless, storage, industrial automation, avionics, consumer products and computing.

Geographic segmentation is based on business sources from that geographic region and delivered from both on-site and off-shore. America comprises of United States of America and Canada, Europe includes continental Europe and United Kingdom; and the rest of the world comprises of all other places except those mentioned above and India.

Income and direct expenses in relation to segments are categorized based on items that are individually identifiable to that segment, while the remainder of costs are apportioned on an appropriate basis. Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The management therefore believes that it is not practical to provide segment disclosures relating to such expenses and accordingly such expenses are separately disclosed as "unallocated" and directly charged against total income.
The assets of the company are used interchangeably between segments, and the management believes that it is currently not practical to provide segment disclosures relating to total assets and liabilities since a meaningful segregation is not possible.

Geographical information on revenue and industry revenue information is collated based on individual customers invoices or in relation to which the revenue is otherwise recognized.

**(Rupees in millions, except share and per share data, unless otherwise stated)**

**Industry Segments:**

| **Consolidated statement of income for the year ended March 31, 2013** | **IT Services** | **PE Services** | **Total** |
|---|---|---|---|
| Revenues | 16,359 | 7,173 | 23,532 |
| Operating expenses, net | 13,300 | 5,571 | 18,871 |
| Segmental operating income | **3,059** | **1,602** | **4,661** |
| Unallocable expenses | | | 965 |
| Profit for the year before finance expense, finance and other income and tax | | | **3,696** |
| Finance expense | | | (12) |
| Finance and other income | | | 380 |
| **Profit before tax** | | | **4,064** |
| Income tax expense | | | (847) |
| **Profit after tax** | | | **3,217** |

| **Consolidated statement of income for the year ended March 31, 2012** | **IT Services** | **PE Services** | **Total** |
|---|---|---|---|
| Revenues | 12,530 | 6,569 | 19,099 |
| Operating expenses, net | 10,449 | 5,752 | 16,201 |
| Segmental operating income | **2,081** | **817** | **2,898** |
| Unallocable expenses | | | 699 |
| Profit for the year before finance expense, finance and other income and tax | | | **2,199** |
| Finance expense | | | (7) |
| Finance and other income | | | 418 |
| **Profit before tax** | | | **2,610** |
| Income tax expense | | | (430) |
| **Profit after tax** | | | **2,180** |

**Geographical segments**

| **Revenues** | **Year ended March 31, 2013** | **Year ended March 31, 2012** |
|---|---|---|
| America | 13,329 | 11,054 |
| Europe | 6,944 | 5,013 |
| India | 1,462 | 1,487 |
| Rest of World | 1,797 | 1,545 |
| **Total** | **23,532** | **19,099** |

Major customers: No client individually accounted for more than 10% of the revenues for the year ended March 31, 2013 and March 31, 2012.

**27.** The Group has opened a new development center at Gainesville, Florida, US to broaden its IT and Software consulting offerings to its clients in the US. The state of Florida has offered various incentives targeted to the needs of the development center. The nature and the extent of the government grant is given below:

| **Nature of expenses** | **Year ended March 31,** | |
|---|---|---|
| | **2013** | **2012** |
| Reimbursement of rent | 2 | - |
| Grant towards workforce training | 4 | - |
| Non-monetary grant of US$ 950,000 for renovation of project facility* | 51 | - |
| **Total** | **57** | **-** |

*The aforesaid grant is subject to fulfillment of certain conditions such as creation of minimum employment with specified average salary and capital investment at the new development center at Gainesville, Florida, US.