

**Mindtree Limited**  
**Balance sheet**

|                                | Note  | As at<br>March 31, 2014 | Rs in million<br>As at<br>March 31, 2013 |
|--------------------------------|-------|-------------------------|--|
| <b>EQUITY AND LIABILITIES</b>  |       |                         |  |
| <b>Shareholders' funds</b>     |       |                         |  |
| Share capital                  | 3.1.1 | 417                     | 415                                      |
| Reserves and surplus           | 3.1.2 | 15,992                  | 12,722                                   |
|                                |       | <b>16,409</b>           | <b>13,137</b>                            |
| <b>Non-current liabilities</b> |       |                         |  |
| Long-term borrowings           | 3.2.1 | 27                      | 32                                       |
| Other long-term liabilities    | 3.2.2 | 129                     | 57                                       |
| Long-term provisions           | 3.2.3 | 39                      | -  |
|                                |       | <b>195</b>              | <b>89</b>                                |
| <b>Current liabilities</b>     |       |                         |  |
| Short-term borrowings          | 3.3.1 | -                       | 217                                      |
| Trade payables                 |       | 82                      | 189                                      |
| Other current liabilities      | 3.3.2 | 2,737                   | 2,166                                    |
| Short-term provisions          | 3.3.3 | 1,574                   | 1,112                                    |
|                                |       | <b>4,393</b>            | <b>3,684</b>                             |
|                                |       | <b>20,997</b>           | <b>16,910</b>                            |
| <b>ASSETS</b>                  |       |                         |  |
| <b>Non-current assets</b>      |       |                         |  |
| Fixed assets                   |       |                         |  |
| Tangible assets                | 3.4.1 | 3,266                   | 2,485                                    |
| Intangible assets              | 3.4.1 | 170                     | 104                                      |
| Capital work-in-progress       |       | 496                     | 571                                      |
| Non-current investments        | 3.4.2 | 189                     | 244                                      |
| Deferred tax assets (net)      | 3.4.3 | 402                     | 360                                      |
| Long-term loans and advances   | 3.4.4 | 758                     | 617                                      |
| Other non-current assets       | 3.4.5 | 1,039                   | 1,046                                    |
|                                |       | <b>6,320</b>            | <b>5,427</b>                             |
| <b>Current assets</b>          |       |                         |  |
| Current investments            | 3.5.1 | 5,160                   | 4,027                                    |
| Trade receivables              | 3.5.2 | 6,004                   | 4,508                                    |
| Cash and bank balances         | 3.5.3 | 1,175                   | 1,238                                    |
| Short-term loans and advances  | 3.5.4 | 612                     | 430                                      |
| Other current assets           | 3.5.5 | 1,726                   | 1,280                                    |
|                                |       | <b>14,677</b>           | <b>11,483</b>                            |
|                                |       | <b>20,997</b>           | <b>16,910</b>                            |

Significant accounting policies and notes to the accounts 2&3

The notes referred to above form an integral part of the financial statements

As per our report of even date attached  
For **B S R & Co. LLP**  
*Chartered Accountants*  
Firm Registration Number: 101248W

For **Mindtree Limited**

**Supreet Sachdev**  
*Partner*  
Membership Number: 205385

**Subroto Bagchi**  
Chairman

**N. Krishnakumar**  
CEO & Managing Director

**Rostow Ravanan**  
Chief Financial Officer

**Rajesh Srichand Narang**  
Company Secretary

Place: Bangalore  
Date : April 16, 2014

Place: Bangalore  
Date : April 16, 2014

**Mindtree Limited**  
**Statement of profit and loss**

**Rs in million**

| Particulars   | Note  | For the year ended |                |
|---|-------|--------------------|----------------|
|   |       | March 31, 2014     | March 31, 2013 |
| Revenue from operations   |       | 30,316             | 23,618         |
| Other income  | 3.6   | 494                | 350            |
| <b>Total revenues</b>   |       | <b>30,810</b>      | <b>23,968</b>  |
| <b>Expenses:</b>  |       |                    |                |
| Employee benefits expense   | 3.7   | 17,820             | 14,274         |
| Finance costs   | 3.7   | 4                  | 10             |
| Depreciation and amortisation expense   | 3.4.1 | 809                | 624            |
| Other expenses  | 3.7   | 6,390              | 4,824          |
| <b>Total expenses</b>   |       | <b>25,023</b>      | <b>19,732</b>  |
| <b>Profit before tax</b>  |       | <b>5,787</b>       | <b>4,236</b>   |
| Tax expense:  | 3.4.3 |                    |                |
| Current tax   |       | 1,317              | 887            |
| Deferred tax  |       | (42)               | (40)           |
| <b>Profit for the year</b>  |       | <b>4,512</b>       | <b>3,389</b>   |
| <b>Earnings per equity share</b>  | 3.17  |                    |                |
| Equity shares of par value Rs 10/- each                                       |       |                    |                |
| Basic   |       | 108.50             | 82.70          |
| Diluted   |       | 107.70             | 81.66          |
| Weighted average number of equity shares used in computing earnings per share |       |                    |                |
| Basic   |       | 41,588,758         | 40,974,712     |
| Diluted   |       | 41,896,409         | 41,496,296     |

Significant accounting policies and notes to the accounts 2&3

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As per our report of even date attached

For **B S R & Co. LLP**

*Chartered Accountants*

Firm Registration Number: 101248W

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**Mindtree Limited**  
**Cash flow statement**

|   | <b>Rs in million</b>                |                |
|---|-------------------------------------|----------------|
|   | <b>For the year ended March 31,</b> |                |
|   | <b>2014</b>                         | <b>2013</b>    |
| <b>Cash flow from operating activities</b>  |                                     |                |
| Profit before tax   | 5,787                               | 4,236          |
| Adjustments for :   |                                     |                |
| Depreciation and amortisation   | 809                                 | 624            |
| Amortization of stock compensation cost   | 79                                  | 2              |
| Interest expense  | 4                                   | 10             |
| Interest/ dividend income   | (215)                               | (192)          |
| Profit on sale of fixed assets  | (3)                                 | (6)            |
| Profit on sale of investments   | (130)                               | (133)          |
| Provision for diminution in the value of investments  | (1)                                 | 1              |
| Loss on dissolution of subsidiary   | -                                   | 3              |
| Exchange difference on derivatives  | -                                   | (308)          |
| Effect of exchange differences on translation of foreign currency borrowings                | 25                                  | 28             |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | (69)                                | (30)           |
| Operating profit before working capital changes   | 6,286                               | 4,235          |
| Changes in trade receivables  | (1,496)                             | (430)          |
| Changes in loans and advances and other assets  | (837)                               | (564)          |
| Changes in liabilities and provisions   | 568                                 | 391            |
| Net cash provided by operating activities before taxes                                      | 4,521                               | 3,632          |
| Income taxes paid   | (1,297)                             | (969)          |
| <b>Net cash provided by operating activities</b>  | <b>3,224</b>                        | <b>2,663</b>   |
| <b>Cash flow from investing activities</b>  |                                     |                |
| Purchase of fixed assets  | (1,520)                             | (1,066)        |
| Proceeds from sale of fixed assets  | 3                                   | 9              |
| Investment in subsidiary  | -                                   | (14)           |
| Proceeds on dissolution of subsidiary   | -                                   | 18             |
| Interest/ dividend received from investments  | 222                                 | 179            |
| Purchase of investments   | (11,443)                            | (11,257)       |
| Sale/ maturities of investments   | 10,495                              | 10,216         |
| <b>Net cash used in investing activities</b>  | <b>(2,243)</b>                      | <b>(1,915)</b> |
| <b>Cash flow from financing activities</b>  |                                     |                |
| Issue of share capital (net of issue expenses paid)   | 63                                  | 322            |
| Interest paid on loans  | (5)                                 | (11)           |
| Repayment of borrowings   | (811)                               | (941)          |
| Proceeds from loans   | 564                                 | 719            |
| Dividends paid (including distribution tax)   | (924)                               | (214)          |
| <b>Net cash used in financing activities</b>  | <b>(1,113)</b>                      | <b>(125)</b>   |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | 69                                  | 30             |
| <b>Net (decrease)/ increase in cash and cash equivalents</b>                                | (63)                                | 653            |
| Cash and cash equivalents at the beginning of the year                                      | 1,238                               | 585            |
| <b>Cash and cash equivalents at the end of the year (Refer note 3.5.3)</b>                  | <b>1,175</b>                        | <b>1,238</b>   |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached  
For **B S R & Co. LLP**  
*Chartered Accountants*  
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For **Mindtree Limited**

**Supreet Sachdev**  
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Place: Bangalore  
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## **Mindtree Limited**

### **Significant accounting policies and notes to the accounts**

**For the year ended March 31, 2014**

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

#### **1. Background**

Mindtree Limited ('Mindtree' or 'the Company') is an international Information Technology consulting and implementation company that delivers business solutions through global software development. The Company is structured into five verticals – Manufacturing, BFSI, Hitech, Travel & Transportation and Others. The Company offers services in the areas of agile, analytics and information management, application development and maintenance, business process management, business technology consulting, cloud, digital business's, independent testing, infrastructure management services, mobility, product engineering and SAP services.

The Company is head quartered in Bangalore and has offices in India, United States of America, United Kingdom, Japan, Singapore, Malaysia, Australia, Germany, Switzerland, Sweden, UAE, Netherlands, Canada, Belgium, France and Republic of China.

#### **2. Significant accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting except for certain financial instruments which are measured at fair values and comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act') which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f. 12 September, 2013), other pronouncements of the Institute of Chartered Accountants of India ('ICAI'), the provisions of the Companies Act, 2013 (to the extent notified and applicable) and the Companies Act, 1956, (to the extent applicable) and the guidelines issued by Securities and Exchange Board of India ('SEBI') to the extent applicable.

##### **2.2 Use of estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amounts of income and expenses of the period, assets and liabilities and disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in future periods.

## Mindtree Limited

### Significant accounting policies and notes to the accounts (continued)

For the year ended March 31, 2014

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

## 2.3 Fixed assets and depreciation

- 2.3.1 Fixed assets are carried at cost of acquisition (including directly attributable costs such as freight, installation, etc.) or construction less accumulated depreciation. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised.
- 2.3.2 Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are recorded at cost that can be measured reliably during the development phase and when it is probable that future economic benefits that are attributable to the assets will flow to the Company.
- 2.3.3 Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at fair value of the asset 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 in the statement of profit and loss on a straight-line basis over the lease term.
- 2.3.4 Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are shown under capital advances. The cost of the fixed asset not ready for its intended use on such date, is disclosed under capital work-in-progress.
- 2.3.5 Depreciation is provided on the straight-line method. The rates specified under schedule XIV of the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/ remaining useful life. Pursuant to this policy, the management has estimated the useful life as under:

| <b>Asset classification</b> | <b>Useful life</b> |
|-----------------------------|--------------------|
| Buildings                   | 25-30 years        |
| Computer systems            | 1-3 years          |
| Computer software           | 2 years            |
| Test equipment              | 3 years            |
| Furniture and fixtures      | 5 years            |
| Electrical installations    | 3-5 years          |
| Office equipment            | 4-5 years          |
| Motor vehicles              | 4-5 years          |
| Plant and machinery         | 4 years            |
| Intellectual property       | 5 years            |

- 2.3.6 Fixed assets individually costing Rupees five thousand or less are fully depreciated in the year of purchase/ installation. Depreciation on additions and disposals during the year is provided on a pro-rata basis.

## **Mindtree Limited**

### **Significant accounting policies and notes to the accounts (continued)**

**For the year ended March 31, 2014**

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

- 2.3.7 The cost of leasehold land is amortised over the period of the lease. Leasehold improvements and assets acquired on finance lease are amortised over the lease term or useful life, whichever is lower.

#### **2.4 Investments**

- 2.4.1 Non-current investments are carried at cost less any other-than-temporary diminution in value, determined on the specific identification basis.
- 2.4.2 Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is carried out separately in respect of each investment.
- 2.4.3 Profit or loss on sale of investments is determined as the difference between the sale price and carrying value of investment, determined individually for each investment.

#### **2.5 Cash and cash equivalents**

Cash and cash equivalents comprise of cash-in-hand and balance in bank in current accounts and deposit accounts.

#### **2.6 Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

#### **2.7 Employee benefits**

- 2.7.1 Gratuity is a defined benefit scheme and is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. The Company has an employees' gratuity fund managed by ICICI Prudential Life Insurance Company, SBI Life Insurance Company and Life Insurance Corporation of India. Actuarial gains and losses are charged to the statement of profit and loss.
- 2.7.2 Compensated absences are a long-term employee benefit and is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. The Company accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.
- 2.7.3 Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

## **Mindtree Limited**

### **Significant accounting policies and notes to the accounts (continued)**

**For the year ended March 31, 2014**

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

#### **2.8 Revenue recognition**

2.8.1 The Company derives its revenues primarily from software services. Revenue from software development on time-and-material basis is recognised as the related services are rendered. Revenue from fixed price contracts is recognised using the proportionate completion method, which is determined by relating the actual project cost of work performed to date to the estimated total project cost for each contract. Unbilled revenue represents cost and earnings in excess of billings while unearned revenue represents the billing in excess of cost and earnings. Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Maintenance revenue is recognised ratably over the period of the maintenance contract.

2.8.2 Provision for discounts is recognised on an accrual basis in accordance with contractual terms of agreements with customers. Revenues are stated net of discount.

2.8.3 Dividend income is recognised when the right to receive payment is established.

2.8.4 Interest income is recognised using the time proportion method, based on the transactional interest rates.

#### **2.9 Foreign exchange transactions**

2.9.1 The Company is exposed to foreign currency transactions including foreign currency revenues, receivables and borrowings. With a view to minimize the volatility arising from fluctuations in currency rates, the Company enters into foreign exchange forward contracts and other derivative instruments.

2.9.2 Foreign exchange transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss for the year.

2.9.3 Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

## **Mindtree Limited**

### **Significant accounting policies and notes to the accounts (continued)**

**For the year ended March 31, 2014**

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

- 2.9.4 In respect of integral operations, monetary assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. Non-monetary items are translated at the historical rate. The items in the statement of profit and loss are translated at the rates prevailing on the dates of the respective transactions. The differences arising out of the translation are recognised in the statement of profit and loss.
- 2.9.5 Forward exchange contracts and other similar instruments that are not in respect of forecasted transactions are accounted for using the guidance in Accounting Standard ('AS') 11, 'The effects of changes in foreign exchange rates'. For such forward exchange contracts and other similar instruments covered by AS 11, based on the nature and purpose of the contract, either the contracts are recorded based on the forward rate/ fair value at the reporting date, or based on the spot exchange rate on the reporting date. For contracts recorded at the spot exchange rates, the premium or discount at the inception is amortized as income or expense over the life of the contract.
- 2.9.6 For forward exchange contracts and other derivatives that are not covered by AS 11 and that relate to a firm commitment or highly probable forecasted transactions, the Company has adopted Accounting Standard ('AS') 30, 'Financial Instruments: Recognition and Measurement' to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Company has met all the conditions of cash flow hedge accounting, are fair valued at balance sheet date and the resultant exchange loss/ gain is debited/ credited to the hedge reserve until the transaction is completed. Other derivative instruments are recorded at fair value at the reporting date and the resultant exchange loss/ gain is debited/ credited to statement of profit and loss.

## **2.10 Warranties**

Warranty costs (i.e. post contract support services) are estimated by the management on the basis of technical evaluation and past experience. Provision is made for estimated liability in respect of warranty costs in the period of recognition of revenue.

## **2.11 Provision and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.



## **Mindtree Limited**

### **Significant accounting policies and notes to the accounts (continued)**

**For the year ended March 31, 2014**

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

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

#### **2.12 Taxation**

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Company. Deferred tax charge or credit are recognised for the future tax consequences attributable to timing difference that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognised in the year in which the timing difference originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain to be realised.

Minimum alternate tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognised as an asset in the balance sheet if there is a convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant assets can be measured reliably. MAT credit entitlement can be carried forward and utilized for a period of ten years from the period in which such credit is availed.

The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

#### **2.13 Earnings per share**

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra-ordinary item. The number of equity shares used in computing basic earnings per share is the weighted average number of equity shares outstanding during the year. The number of equity shares used in computing diluted earnings per share comprises weighted average number of equity shares considered for deriving basic earnings per share and also weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**2.14 Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset (including goodwill) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised. In respect of goodwill, impairment loss will be reversed only when it is caused by specific external events and their effects have been reversed by subsequent external events.

**2.15 Employee stock based compensation**

The Company measures the compensation cost relating to employee stock options, restricted shares and stock appreciation rights using the intrinsic value method. The compensation cost is amortised over the vesting/ service period.

**2.16 Government grants**

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

- (i) the Company 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 profit and loss 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 Company 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.

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3. Notes to the accounts**

**3.1 Shareholders' funds**

**3.1.1 Share capital**

a)

| Particulars  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2014 | March 31, 2013 |
| <b>Authorised</b>  |                |                |
| 79,620,000 (March 31, 2013: 79,620,000) equity shares of Rs 10/- each            | 796            | 796            |
| <b>Issued, subscribed and paid-up capital</b>                                    |                |                |
| 41,689,731 (March 31, 2013: 41,535,055) equity shares of Rs 10/- each fully paid | 417            | 415            |
| <b>Total</b>   | <b>417</b>     | <b>415</b>     |

b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting year is as given below:

| Particulars  | As at          |     | As at          |     |
|--|----------------|-----|----------------|-----|
|  | March 31, 2014 |     | March 31, 2013 |     |
|  | No of shares   | Rs  | No of shares   | Rs  |
| Number of shares outstanding at the beginning of the year                      | 41,535,055     | 415 | 40,543,923     | 405 |
| Add: Shares issued on exercise of employee stock options and restricted shares | 154,676        | 2   | 991,132        | 10  |
| Number of shares outstanding at the end of the year                            | 41,689,731     | 417 | 41,535,055     | 415 |

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

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 Board of Directors at their meeting held on April 16, 2014, have recommended an issue of bonus shares on the company's equity shares in the ratio of 1:1 (one additional equity share for every one existing equity share). The Company is in the process of complying with necessary formalities.

The Company declares and pays dividends in Indian rupees and foreign currency. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

The Board of Directors at its meeting held on October 16, 2013 had declared an interim dividend of 50% (Rs 5 per equity share on a par value of Rs 10 each). At its meeting held on January 16, 2014, the Board declared a second interim dividend of 50% (Rs 5 per equity share on a par value of Rs 10 each). The Board of Directors at its meeting held on April 16, 2014 have recommended a third interim dividend of

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

50% (Rs 5 per equity share of par value Rs 10 each). Further, the Board has recommended a final dividend of 50% (Rs 5 per equity share of par value Rs 10 each) for the year ended March 31, 2014 and a special dividend of 50% (Rs 5 per equity share of par value Rs 10 each) for completion of 15 years in business. If the proposed 1:1 bonus share issue is approved by shareholders prior to the date of the AGM, the final & special dividend amounts would be accordingly reduced to 25% (Rs 2.5 per equity share of Rs 10 each). The total dividend appropriation for the year ended March 31, 2014 amounted to Rs 1,221, including corporate dividend tax of Rs 180.

During the year ended March 31, 2013, the amount of per share dividend recognized as distributions to equity shareholders was Rs 12. The dividend for the year ended March 31, 2013 includes Rs 5 per share of final dividend, Rs 7 per share of interim dividend. The total dividend appropriation for the year ended March 31, 2013 amounted to Rs 578, including corporate dividend tax of Rs 81.

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.

- d) Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the year is as given below:

| Sr. No. | Name of the shareholder            | As at March 31, 2014 |       | As at March 31, 2013 |       |
|---------|------------------------------------|----------------------|-------|----------------------|-------|
|         |                                    | Number of shares     | %     | Number of shares     | %     |
| 1       | Coffee Day Resorts Private Limited | 4,365,442            | 10.5% | 4,565,442            | 11.0% |
| 2       | Nalanda India Fund Limited         | 3,949,089            | 9.5%  | 3,949,089            | 9.5%  |
| 3       | Global Technology Ventures Limited | 2,648,561            | 6.4%  | 2,498,561            | 6.0%  |
| 4       | Subroto Bagchi *                   | -                    | -     | 2,078,585            | 5.0%  |

\*Holds less than 5% of equity shares as at the reporting date

- e) The Company has not allotted any fully paid up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date. Number of equity shares allotted as fully paid up without payment being received in cash is 1,300,965 during the period of five years immediately preceding March 31, 2014 and March 31, 2013. These shares were allotted to the shareholders of erstwhile Aztecsoft Limited pursuant to the scheme of amalgamation for the financial year ended March 31, 2010.

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****f) Employee stock based compensation**

The Company instituted the Employees Stock Option Plan ('ESOP') in fiscal 2000, which was approved by the Board of Directors ('the Board'). The Company currently administers seven stock option programs, a restricted stock purchase plan and a stock appreciation rights plan.

***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.

| <b>Particulars</b>                              | <b>Year ended March 31,</b> |             |
|---|-----------------------------|-------------|
|   | <b>2014</b>                 | <b>2013</b> |
| Outstanding options, beginning of the year      | -                           | 4,000       |
| Granted during the year                         | -                           | -           |
| Exercised during the year                       | -                           | 500         |
| Lapsed during the year                          | -                           | 3,500       |
| Forfeited during the year                       | -                           | -           |
| Outstanding options, end of the year            | -                           | -           |
| Options vested and exercisable, end of the year | -                           | -           |

***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.

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

| <b>Particulars</b>                              | <b>Year ended March 31,</b> |               |
|---|-----------------------------|---------------|
|   | <b>2014</b>                 | <b>2013</b>   |
| Outstanding options, beginning of the year      | 47,918                      | 79,367        |
| Granted during the year                         | -                           | -             |
| Exercised during the year                       | 12,868                      | 25,837        |
| Lapsed during the year                          | 3,821                       | 5,612         |
| Forfeited during the year                       | -                           | -             |
| Outstanding options, end of the year            | <b>31,229</b>               | <b>47,918</b> |
| Options vested and exercisable, end of the year | 31,229                      | 47,918        |

***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. There are no options outstanding as at the reporting dates.

***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.

| <b>Particulars</b>                              | <b>Year ended March 31,</b> |                |
|---|-----------------------------|----------------|
|   | <b>2014</b>                 | <b>2013</b>    |
| Outstanding options, beginning of the year      | 304,650                     | 1,349,038      |
| Granted during the year                         | -                           | -              |
| Exercised during the year                       | 57,600                      | 905,860        |
| Lapsed during the year                          | 28,475                      | 97,528         |
| Forfeited during the year                       | 71,325                      | 41,000         |
| Outstanding options, end of the year            | <b>147,250</b>              | <b>304,650</b> |
| Options vested and exercisable, end of the year | 89,175                      | 115,225        |

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)*****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.

| <b>Particulars</b>                              | <b>Year ended March 31,</b> |                |
|---|-----------------------------|----------------|
|   | <b>2014</b>                 | <b>2013</b>    |
| Outstanding options, beginning of the year      | 108,248                     | 124,803        |
| Granted during the year                         | -                           | -              |
| Exercised during the year                       | 20,614                      | 14,437         |
| Lapsed during the year                          | 2,610                       | 2,118          |
| Forfeited during the year                       | -                           | -              |
| Outstanding options, end of the year            | <b>85,024</b>               | <b>108,248</b> |
| Options vested and exercisable, end of the year | 85,024                      | 108,248        |

***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.

| <b>Particulars</b>                              | <b>Year ended March 31,</b> |                |
|---|-----------------------------|----------------|
|   | <b>2014</b>                 | <b>2013</b>    |
| Outstanding options, beginning of the year      | 135,000                     | 151,667        |
| Granted during the year                         | -                           | 20,000         |
| Exercised during the year                       | 45,000                      | 36,667         |
| Lapsed during the year                          | 10,000                      | -              |
| Forfeited during the year                       | 25,000                      | -              |
| Outstanding options, end of the year            | <b>55,000</b>               | <b>135,000</b> |
| Options vested and exercisable, end of the year | 41,666                      | 76,667         |

***Program 7 [ESOP 2010A]***

In-principle approvals for administering the seventh stock option program i.e. ESOP 2010 (A) has been received by the Company from the BSE and NSE for 1,135,000 equity shares of Rs 10 each. No options have been granted under the program as at March 31, 2014.

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)*****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.

| <b>Particulars</b>                             | <b>Year ended March 31,</b> |             |
|--|-----------------------------|-------------|
|  | <b>2014</b>                 | <b>2013</b> |
| Outstanding shares, beginning of the year      | -                           | -           |
| Granted during the year                        | 18,594                      | 7,831       |
| Exercised during the year                      | 18,594                      | 7,831       |
| Lapsed during the year                         | -                           | -           |
| Forfeited during the year                      | -                           | -           |
| Outstanding shares, end of the year            | -                           | -           |
| Shares vested and exercisable, end of the year | -                           | -           |

During the year ended March 31, 2014, 18,594 shares were granted by the Company under Employee Restricted Stock Purchase Plan 2012 ('ERSP 2012')

The weighted average fair value of each unit under the above mentioned ERSP 2012 plan, granted during the year was Rs 1,138 using the Black-Scholes model with the following assumptions:

|   |          |
|---|----------|
| Weighted average grant date share price | Rs 1,150 |
| Weighted average exercise price         | Rs 10    |
| Dividend yield %                        | 0.27%    |
| Expected life                           | 1 year   |
| Risk free interest rate                 | 8.22%    |
| Volatility                              | 106.05%  |

During the year, the Company has also granted stock appreciation rights ('SAR') units and letter of intent to issue shares under ERSP 2012 plan to some of its employees which is subject to certain vesting conditions. Details of the grant/issue are given below.

| <b>Particulars</b>    | <b>SAR</b>               | <b>ERSP 2012 plan</b>       |
|-----------------------|--------------------------|-----------------------------|
| No of units/ shares   | 382,500                  | 115,000                     |
| Contractual life      | 4 years                  | 5 years                     |
| Date of grant         | 18-Jul-13                | 18-Jul-13*                  |
| Price per share/ unit | Grant price of<br>Rs 910 | Exercise price of<br>Rs 10* |

\*Based on Letter of Intent

The weighted average fair value of each unit under the above mentioned ERSP 2012 plan, granted during the year was Rs 898 using the Black-Scholes model with the following assumptions:



**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

|   |                  |
|---|------------------|
| Weighted average grant date share price | Rs 914           |
| Weighted average exercise price         | Rs 10            |
| Dividend yield %                        | 0.17 % - 0.30%   |
| Expected life                           | 5 years          |
| Risk free interest rate                 | 8.29%            |
| Volatility                              | 104.65% - 107.7% |

The following table summarizes information about the weighted average exercise price of options/ shares exercised under various programs:

| Particulars | Amount in Rs         |        |
|-------------|----------------------|--------|
|             | Year ended March 31, |        |
|             | 2014                 | 2013   |
| Program 1   | -                    | 10.00  |
| Program 2   | 50.00                | 50.00  |
| Program 3   | -                    | -      |
| Program 4   | 507.14               | 336.84 |
| Program 5   | 387.64               | 404.63 |
| DSOP 2006   | 560.00               | 259.27 |
| ERSP 2012   | 10.00                | 10.00  |

The following tables summarize information about the options/ shares outstanding under various programs as at March 31, 2014 and March 31, 2013 respectively:

| Particulars | As at March 31, 2014      |  |   |
|-------------|---------------------------|--|---|
|             | Number of options/ shares | Weighted average remaining contractual life (in years) | Weighted average exercise price (in Rs) |
| Program 1   | -                         | -  | -                                       |
| Program 2   | 31,229                    | 1.13   | 50.00                                   |
| Program 3   | -                         | -  | -                                       |
| Program 4   | 147,250                   | 1.78   | 496.58                                  |
| Program 5   | 85,024                    | 2.28   | 393.90                                  |
| DSOP 2006   | 55,000                    | 1.24   | 558.55                                  |
| ERSP 2012   | -                         | -  | -                                       |

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

| <b>Particulars</b> | <b>As at March 31, 2013</b>          |   |  |
|--------------------|--------------------------------------|---|--|
|                    | <b>Number of options/<br/>shares</b> | <b>Weighted average remaining contractual life (in years)</b> | <b>Weighted average exercise price (in Rs)</b> |
| 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   |
| ERSP 2012          | -                                    | -   | -  |

The Company has recorded compensation cost for all grants using the intrinsic value-based method of accounting, in line with prescribed SEBI guidelines.

Had compensation been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by ICAI, the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated:

| <b>Particulars</b>  | <b>Year ended March 31,</b> |             |
|---|-----------------------------|-------------|
|   | <b>2014</b>                 | <b>2013</b> |
| Net profit as reported  | 4,512                       | 3,389       |
| Add: Stock-based employee compensation expense (intrinsic value method) | 79                          | -           |
| Less: Stock-based employee compensation expense (fair value method)     | 18                          | (74)        |
| Pro forma net profit  | 4,609                       | 3,315       |
| Basic earnings per share as reported                                    | 108.50                      | 82.70       |
| Pro forma basic earnings per share                                      | 110.83                      | 80.89       |
| Diluted earnings per share as reported                                  | 107.70                      | 81.66       |
| Pro forma diluted earnings per share                                    | 110.02                      | 79.87       |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.1.2 Reserves and surplus**

| Particulars  | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|--|-------------------------|-------------------------|
| <i>Capital reserve</i>   |                         |                         |
| Opening balance  | 87                      | 87                      |
| Additions during the year  | -                       | -                       |
|  | <b>87</b>               | <b>87</b>               |
| <i>Securities premium reserve</i>  |                         |                         |
| Opening balance  | 2,125                   | 1,808                   |
| Additions during the year on exercise of employee stock options/ restricted shares | 83                      | 317                     |
|  | <b>2,208</b>            | <b>2,125</b>            |
| <i>General reserve</i>   |                         |                         |
| Opening balance  | 1,091                   | 752                     |
| Add: Transfer from statement of profit and loss                                    | 451                     | 339                     |
|  | <b>1,542</b>            | <b>1,091</b>            |
| <i>Share option outstanding account</i>  |                         |                         |
| Opening balance  | 48                      | 48                      |
| Additions during the year  | 20                      | -                       |
|  | <b>68</b>               | <b>48</b>               |
| <i>Hedge reserve</i>   |                         |                         |
| Opening balance  | 173                     | (250)                   |
| Additions during the year  | (124)                   | 423                     |
|  | <b>49</b>               | <b>173</b>              |
| <i>Surplus (Balance in the statement of profit and loss)</i>                       |                         |                         |
| Opening balance  | 9,198                   | 6,726                   |
| Add: Amount transferred from statement of profit and loss                          | 4,512                   | 3,389                   |
| Amount available for appropriations  | 13,710                  | 10,115                  |
| Appropriations:  |                         |                         |
| Interim dividend   | (624)                   | (289)                   |
| Final dividend*  | (417)                   | (208)                   |
| Dividend distribution tax  | (180)                   | (81)                    |
| Amount transferred to general reserve  | (451)                   | (339)                   |
|  | <b>12,038</b>           | <b>9,198</b>            |
| <b>Total</b>   | <b>15,992</b>           | <b>12,722</b>           |

\*Includes special dividend as at March 31, 2014.

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.2 Non-current liabilities**

**3.2.1 Long-term borrowings**

| Particulars              | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|--------------------------|-------------------------|-------------------------|
| <i>(Unsecured)</i>       |                         |                         |
| Other loans and advances | 27                      | 32                      |
| <b>Total</b>             | <b>27</b>               | <b>32</b>               |

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 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.

**3.2.2 Other long-term liabilities**

| Particulars                  | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|------------------------------|-------------------------|-------------------------|
| Other long-term liabilities  | 97                      | 57                      |
| Employee related liabilities | 32                      | -                       |
| <b>Total</b>                 | <b>129</b>              | <b>57</b>               |

**3.2.3 Long-term provisions**

| Particulars            | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|------------------------|-------------------------|-------------------------|
| Provision for discount | 39                      | -                       |
| <b>Total</b>           | <b>39</b>               | <b>-</b>                |

Refer note 3.3.3 for the disclosure of provisions movement as required under the provisions of Accounting Standard – 29 ‘Provisions, Contingent Liabilities and Contingent Assets’ (‘AS 29’).

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.3 Current liabilities**

**3.3.1 Short-term borrowings**

| Particulars                    | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|--------------------------------|-------------------------|-------------------------|
| <i>(Secured)</i>               |                         |                         |
| Packing credit loan from banks | -                       | 217                     |
| <b>Total</b>                   | <b>-</b>                | <b>217</b>              |

During the year, the Company has availed packing credit loans of USD 10 million and has repaid packing credit loans of USD 14 million. These packing credit loans were secured against the trade receivables of the Company. As at March 31, 2014, the Company has no outstanding packing credit loan (As at March 31, 2013: USD 4 million). The Company had taken forward exchange contracts with respect to this loan. In accordance with 'AS 11' the forward premium arising at inception was amortized as an expense over the life of the contract.

Details of interest rate and repayment terms in respect of above packing credit loan are as below:

| Name of the bank | As at March 31, 2014 |                         |                      | As at March 31, 2013 |                         |                      |
|------------------|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|
|                  | Rs                   | Rate of<br>interest p.a | Date of<br>repayment | Rs                   | Rate of<br>interest p.a | Date of<br>repayment |
| HSBC             | -                    | -                       | -                    | 217                  | 1.98%                   | 29-May-13            |
| <b>Total</b>     | <b>-</b>             |                         |                      | <b>217</b>           |                         |                      |

**3.3.2 Other current liabilities**

| Particulars                                | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|--|-------------------------|-------------------------|
| Current maturities of long-term debt*      | 5                       | 5                       |
| Interest accrued but not due on borrowings | 1                       | 2                       |
| Unearned income                            | 100                     | 36                      |
| Unpaid dividends                           | 4                       | 3                       |
| Creditors for capital goods                | 175                     | 105                     |
| Advances from customers                    | 103                     | 42                      |
| Employee related liabilities               | 1,245                   | 1,023                   |
| Book overdraft                             | 85                      | 136                     |
| Other liabilities**                        | 1,019                   | 814                     |
| <b>Total</b>                               | <b>2,737</b>            | <b>2,166</b>            |

\*The details of interest rates, repayment and other terms are disclosed under note 3.2.1.

\*\*Includes derivative liability of Rs 44 (As at March 31, 2013: Rs 13).

As at March 31, 2014, the Company has outstanding forward contracts amounting to USD 47.5 million (As at March 31, 2013: USD 112.75 million) and Euro 5 million (As at March 31, 2013: Euro 11 million). These derivative instruments have been entered to hedge highly probable forecasted sales.

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

In accordance with the provisions of AS 30, those derivative instruments which qualify for cash flow hedge accounting have been fair valued at balance sheet date and the resultant exchange gain/ (loss) has been credited/ (debited) to hedge reserve (Refer Note 3.1.2). As of March 31, 2014, the Company does not have any derivative instruments that do not qualify for hedge accounting. However such instruments that were prevalent in the previous year have been fair valued at the balance sheet date and the resultant exchange gain Rs 308 for the year ended March 31, 2013 has been recorded in the statement of profit and loss.

**3.3.3 Short-term provisions**

| <b>Particulars</b>                            | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|---|---------------------------------|---------------------------------|
| Provision for employee benefits               |                                 |                                 |
| - Gratuity                                    | 2                               | 11                              |
| - Compensated absences                        | 320                             | 262                             |
| Provision for taxes                           | 219                             | 199                             |
| Provision for discount                        | 231                             | 145                             |
| Dividend payable                              | 626                             | 374                             |
| Dividend distribution tax payable             | 106                             | 61                              |
| Provision for foreseeable losses on contracts | 3                               | -                               |
| Provision for post contract support services  | 4                               | 3                               |
| Provision for disputed dues*                  | 63                              | 57                              |
| <b>Total</b>                                  | <b>1,574</b>                    | <b>1,112</b>                    |

\*Represents disputed tax dues provided pursuant to unfavourable order received from the tax authorities against which the Company has preferred an appeal with the relevant authority. In respect of the provisions of AS 29, the disclosures required have not been provided in accordance with paragraph 72 of AS 29.

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

The following table sets out the status of the gratuity plan as required under AS 15- Employee Benefits.

| <b>Particulars</b>                                       | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| <b>Change in projected benefit obligations</b>           |                                 |                                 |
| Obligations at the beginning of the year                 | 324                             | 276                             |
| Service cost   | 74                              | 62                              |
| Interest cost  | 26                              | 19                              |
| Benefits settled   | (36)                            | (41)                            |
| Actuarial (gain)/ loss                                   | (23)                            | 8                               |
| <b>Obligations at end of the year</b>                    | <b>365</b>                      | <b>324</b>                      |
| <b>Change in plan assets</b>                             |                                 |                                 |
| Plan assets at the beginning of the year, at fair value  | 313                             | 275                             |
| Expected return on plan assets                           | 26                              | 23                              |
| Actuarial gain/ (loss)                                   | -                               | 1                               |
| Contributions  | 60                              | 55                              |
| Benefits settled   | (36)                            | (41)                            |
| <b>Plan assets at the end of the year, at fair value</b> | <b>363</b>                      | <b>313</b>                      |

**Reconciliation of the present value of the obligation and the fair value of the plan assets**

| <b>Particulars</b>  | <b>As at March 31,</b> |             |             |             |             |
|---|------------------------|-------------|-------------|-------------|-------------|
|   | <b>2014</b>            | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
| Fair value of plan assets at the end of the year            | 363                    | 313         | 275         | 257         | 212         |
| Present value of defined obligations at the end of the year | (365)                  | (324)       | (276)       | (265)       | (208)       |
| <b>Asset/ (liability) recognised in the balance sheet</b>   | <b>(2)</b>             | <b>(11)</b> | <b>(1)</b>  | <b>(8)</b>  | <b>4</b>    |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

| Particulars                            | For the year ended |                |
|--|--------------------|----------------|
|  | 2014               | March 31, 2013 |
| <b>Gratuity cost</b>                   |                    |                |
| Service cost                           | 74                 | 62             |
| Interest cost                          | 26                 | 19             |
| Expected return on plan assets         | (26)               | (23)           |
| Actuarial (gain)/loss                  | (23)               | 7              |
| <b>Net gratuity cost</b>               | <b>51</b>          | <b>65</b>      |
| Actual return on plan assets           | 26                 | 24             |
| <b>Assumptions</b>                     |                    |                |
| Interest rate                          | 8.80%              | 7.96%          |
| Expected rate of return on plan assets | 8%                 | 8%             |
| Salary increase                        | 6%                 | 6%             |
| Attrition rate                         | 13%                | 13.38%         |
| 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 disclosure of provisions movement as required under the provisions of AS 29 is as follows:-

**Provision for post contract support services**

| Particulars                          | For the year ended March 31, |      |
|--------------------------------------|------------------------------|------|
|                                      | 2014                         | 2013 |
| Balance at the beginning of the year | 3                            | 5    |
| Provisions made during the year      | 1                            | -    |
| Utilisations during the year         | -                            | -    |
| Released during the year             | -                            | (2)  |
| Provision at the end of the year     | 4                            | 3    |



**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**Provision for discount**

| <b>Particulars</b>                   | <b>For the year ended March 31,</b> |             |
|--------------------------------------|-------------------------------------|-------------|
|                                      | <b>2014</b>                         | <b>2013</b> |
| Balance at the beginning of the year | 145                                 | 109         |
| Provisions made during the year      | 290                                 | 144         |
| Utilisations during the year         | (154)                               | (95)        |
| Released during the year             | (11)                                | (13)        |
| Provision at the end of the year     | 270                                 | 145         |
| Current                              | 231                                 | 145         |
| Non-current                          | 39                                  | -           |

**Provision for foreseeable losses on contracts**

| <b>Particulars</b>                   | <b>For the year ended March 31,</b> |             |
|--------------------------------------|-------------------------------------|-------------|
|                                      | <b>2014</b>                         | <b>2013</b> |
| Balance at the beginning of the year | -                                   | 4           |
| Provisions made during the year      | 3                                   | -           |
| Utilisations during the year         | -                                   | (4)         |
| Released during the year             | -                                   | -           |
| Provision at the end of the year     | 3                                   | -           |

The current provisions are expected to be utilized over a period of one year and the non-current provisions are expected to be utilized over a period of two to three years.

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated).**

**3.4 Non-current assets**

**3.4.1 Fixed assets**

| Assets                   | Gross block            |                                 |                                 |                         | Accumulated depreciation |                 |                                 | Net book value          |                         |                         |
|--------------------------|------------------------|---------------------------------|---------------------------------|-------------------------|--------------------------|-----------------|---------------------------------|-------------------------|-------------------------|-------------------------|
|                          | As at<br>April 1, 2013 | Additions<br>during<br>the year | Deletions<br>during<br>the year | As at<br>March 31, 2014 | As at<br>April 1, 2013   | For the<br>year | Deletions<br>during<br>the year | As at<br>March 31, 2014 | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
| <b>Tangible assets</b>   |                        |                                 |                                 |                         |                          |                 |                                 |                         |                         |                         |
| Leasehold land           | 425                    | -                               | -                               | 425                     | 71                       | 12              | -                               | 83                      | 342                     | 354                     |
| Buildings                | 1,626                  | 285                             | -                               | 1,911                   | 289                      | 59              | -                               | 348                     | 1,563                   | 1,337                   |
| Leasehold improvements   | 1,186                  | 417                             | 1                               | 1,602                   | 865                      | 173             | 1                               | 1,037                   | 565                     | 321                     |
| Computer systems         | 1,296                  | 483                             | 209                             | 1,570                   | 1,018                    | 276             | 209                             | 1,085                   | 485                     | 278                     |
| Test equipment           | 219                    | -                               | 1                               | 218                     | 198                      | 20              | 1                               | 217                     | 1                       | 21                      |
| Furniture and fixtures   | 151                    | 41                              | 1                               | 191                     | 138                      | 20              | 1                               | 157                     | 34                      | 13                      |
| Electrical installations | 247                    | 114                             | 1                               | 360                     | 205                      | 52              | 1                               | 256                     | 104                     | 42                      |
| Office equipment         | 482                    | 119                             | 1                               | 600                     | 370                      | 67              | 1                               | 436                     | 164                     | 112                     |
| Motor vehicles           | 2                      | 1                               | 1                               | 2                       | 2                        | -               | 1                               | 1                       | 1                       | -                       |
| Plant and machinery      | 8                      | -                               | -                               | 8                       | 1                        | -               | -                               | 1                       | 7                       | 7                       |
| <b>Total (A)</b>         | <b>5,642</b>           | <b>1,460</b>                    | <b>215</b>                      | <b>6,887</b>            | <b>3,157</b>             | <b>679</b>      | <b>215</b>                      | <b>3,621</b>            | <b>3,266</b>            | <b>2,485</b>            |
| <b>Intangible assets</b> |                        |                                 |                                 |                         |                          |                 |                                 |                         |                         |                         |
| Intellectual property    | 67                     | -                               | -                               | 67                      | 39                       | 13              | -                               | 52                      | 15                      | 28                      |
| Computer Software        | 698                    | 197                             | 3                               | 892                     | 622                      | 117             | 2                               | 737                     | 155                     | 76                      |
| <b>Total (B)</b>         | <b>765</b>             | <b>197</b>                      | <b>3</b>                        | <b>959</b>              | <b>661</b>               | <b>130</b>      | <b>2</b>                        | <b>789</b>              | <b>170</b>              | <b>104</b>              |
| <b>Total (A+B)</b>       | <b>6,407</b>           | <b>1,657</b>                    | <b>218</b>                      | <b>7,846</b>            | <b>3,818</b>             | <b>809</b>      | <b>217</b>                      | <b>4,410</b>            | <b>3,436</b>            | <b>2,589</b>            |
| Previous year            | 5,820                  | 626                             | 39                              | 6,407                   | 3,229                    | 624             | 35                              | 3,818                   | 2,589                   |                         |

**Mindtree Limited****Significant accounting policies and notes to the accounts****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated).****3.4.2 Non-current investments**

| <b>Particulars</b>                                     | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| Investment in mutual funds (quoted)                    | 168                             | 223                             |
| Investment in equity instruments (unquoted)            |                                 |                                 |
| - Investment in Trade                                  | 8                               | 8                               |
| - Investment in subsidiary                             | 14                              | 14                              |
| Less: Provision for diminution in value of investments | (1)                             | (1)                             |
| <b>Total</b>   | <b>189</b>                      | <b>244</b>                      |
| Aggregate amount of quoted investments                 | 168                             | 223                             |
| Aggregate market value of quoted investments           | 170                             | 224                             |
| Aggregate amount of unquoted investments               | 22                              | 22                              |

Details of investment in mutual funds are as given below:

| <b>Particulars</b>         | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|----------------------------|---------------------------------|---------------------------------|
| JP Morgan Mutual Fund      | -                               | 70                              |
| Birla Sun Life Mutual Fund | -                               | 30                              |
| IDFC Mutual Fund           | -                               | 28                              |
| Tata Mutual Fund           | 40                              | 95                              |
| Reliance Mutual Fund       | 28                              | -                               |
| UTI Mutual Fund            | 100                             | -                               |
| <b>Total</b>               | <b>168</b>                      | <b>223</b>                      |

Details of investment in trade unquoted investments are as given below:

| <b>Particulars</b>   | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| 2,400 (previous year: 2,400) equity shares in Career Community.com Limited   | 1                               | 1                               |
| 643,790 (previous year: 643,790) Series A Convertible Preferred Stock at US\$ 0.0001 each fully paid at premium of US \$ 0.2557 each in 30 Second Software Inc | 7                               | 7                               |
| <b>Total</b>   | <b>8</b>                        | <b>8</b>                        |

Details of investment in subsidiary are as given below:

| <b>Particulars</b>                              | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|---|---------------------------------|---------------------------------|
| Mindtree Software (Shanghai) Co., Ltd ('MSSCL') | 14                              | 14                              |
| <b>Total</b>                                    | <b>14</b>                       | <b>14</b>                       |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.4.3 Taxes**

| <b>Particulars</b> | <b>For the year ended March 31,</b> |             |
|--------------------|-------------------------------------|-------------|
|                    | <b>2014</b>                         | <b>2013</b> |
| Tax expense        |                                     |             |
| Current tax        | 1,317                               | 887         |
| Deferred tax       | (42)                                | (40)        |
| <b>Total</b>       | <b>1,275</b>                        | <b>847</b>  |

The Company has units at Bangalore, Hyderabad and Chennai registered as Special Economic Zone (SEZ) units which are entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961.

The Company also has STPI units at Bangalore and Pune which are registered as a 100 percent Export Oriented Unit, which were earlier entitled to a tax holiday under Section 10B and Section 10A of the Income Tax Act, 1961.

**Deferred tax assets (net):**

Deferred tax assets included in the balance sheet comprises the following:

| <b>Particulars</b>   | <b>As at</b>          | <b>As at</b>          |
|--|-----------------------|-----------------------|
|  | <b>March 31, 2014</b> | <b>March 31, 2013</b> |
| Excess of depreciation as per books over depreciation allowed under Income Tax Act, 1961 | 213                   | 215                   |
| Provision for doubtful debts   | 31                    | 10                    |
| Provision for compensated absence  | 100                   | 84                    |
| Provision for volume discount  | 29                    | 34                    |
| Others   | 29                    | 17                    |
| <b>Total deferred tax assets</b>   | <b>402</b>            | <b>360</b>            |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.4.4 Long-term loans and advances**

| <b>Particulars</b>   | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| <i>(Unsecured considered good)</i>                                   |                                 |                                 |
| Capital advances   | 136                             | 127                             |
| Security deposits*   | 512                             | 426                             |
| Advances recoverable in cash or in kind or for value to be received* | 110                             | 64                              |
| <b>Total</b>   | <b>758</b>                      | <b>617</b>                      |

\*Refer note 3.15 for related party balances.

**3.4.5 Other non-current assets**

| <b>Particulars</b>   | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| <i>(Unsecured considered good)</i>                                 |                                 |                                 |
| Advance tax and tax deducted at source, net of provision for taxes | 853                             | 848                             |
| MAT credit entitlement   | 160                             | 165                             |
| Other non-current assets   | 26                              | 33                              |
| <b>Total</b>   | <b>1,039</b>                    | <b>1,046</b>                    |

**3.5 Current assets**

**3.5.1 Current investments**

| <b>Particulars</b>   | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| Investment in mutual funds (quoted)                        | 4,760                           | 3,628                           |
| Less: Provision for diminution in the value of investments | -                               | (1)                             |
| Term deposits  | 400                             | 400                             |
| <b>Total</b>   | <b>5,160</b>                    | <b>4,027</b>                    |
| Aggregate amount of quoted investments                     | 4,760                           | 3,628                           |
| Aggregate market value of quoted investments               | 4,912                           | 3,710                           |
| Aggregate amount of unquoted investments                   | 400                             | 400                             |

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

Details of investment in mutual funds are as given below:

| <b>Particulars</b>             | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--------------------------------|---------------------------------|---------------------------------|
| ICICI Prudential Mutual Fund   | 366                             | 409                             |
| IDFC Mutual Fund               | 365                             | 228                             |
| UTI Mutual Fund                | 193                             | 248                             |
| HSBC Mutual Fund               | 80                              | 70                              |
| Franklin Templeton Mutual Fund | 449                             | 310                             |
| DSP Blackrock Mutual Fund      | 419                             | 248                             |
| Birla Sun Life Mutual Fund     | 440                             | 371                             |
| Reliance Mutual Fund           | 367                             | 349                             |
| Tata Mutual Fund               | 306                             | 152                             |
| DWS Mutual Fund                | 156                             | 198                             |
| SBI Mutual Fund                | 315                             | 358                             |
| HDFC Mutual Fund               | 513                             | 440                             |
| Axis Mutual Fund               | 103                             | 51                              |
| Principal Mutual Fund          | -                               | 30                              |
| Kotak Mutual Fund              | 54                              | 51                              |
| JP Morgan Mutual Fund          | 203                             | -                               |
| Sundaram Mutual Fund           | 106                             | 50                              |
| Pinebridge Mutual Fund         | 30                              | 30                              |
| L & T Mutual Fund              | 142                             | -                               |
| IDBI Mutual Fund               | 153                             | 35                              |
| <b>Total</b>                   | <b>4,760</b>                    | <b>3,628</b>                    |

Details of investments in term deposit are as given below:

| <b>Particulars</b> | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--------------------|---------------------------------|---------------------------------|
| HDFC Limited       | 400                             | 400                             |
| <b>Total</b>       | <b>400</b>                      | <b>400</b>                      |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.5.2 Trade receivables**

| <b>Particulars</b>                              | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|---|---------------------------------|---------------------------------|
| <i>(Unsecured)</i>                              |                                 |                                 |
| Debts overdue for a period exceeding six months |                                 |                                 |
| - considered good                               | 95                              | 175                             |
| - considered doubtful                           | 131                             | 36                              |
| Other debts                                     |                                 |                                 |
| - considered good                               | 5,909                           | 4,333                           |
| - considered doubtful                           | 5                               | 10                              |
| Less: Provision for doubtful debts              | (136)                           | (46)                            |
| <b>Total</b>                                    | <b>6,004</b>                    | <b>4,508</b>                    |

**3.5.3 Cash and bank balances**

| <b>Particulars</b>   | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| Balances with banks in current and deposit accounts <sup>^</sup> * | 1,171                           | 1,235                           |
| Cash on hand   | -                               | -                               |
| Other bank balances**  | 4                               | 3                               |
| <b>Total</b>   | <b>1,175</b>                    | <b>1,238</b>                    |

<sup>^</sup>The deposits maintained by the Company with banks comprises time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

\* Balances with banks include the following:

| <b>Particulars</b>   | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
|--|---------------------------------|---------------------------------|
| Balance with banks held as margin money towards guarantees | 1                               | 1                               |

\*\*Other bank balances represent balances in respect of unpaid dividends and are considered restricted in nature.

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
(Rupees in millions, except share and per share data, unless otherwise stated)

**3.5.4 Short-term loans and advances**

| Particulars  | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|--|-------------------------|-------------------------|
| <i>(Unsecured considered good)</i>                                   |                         |                         |
| Advances recoverable in cash or in kind or for value to be received* | 627                     | 440                     |
| Less: Provision for doubtful advances                                | (15)                    | (10)                    |
| <b>Total</b>   | <b>612</b>              | <b>430</b>              |

\*Refer note 3.15 for related party balances.

**3.5.5 Other current assets**

| Particulars           | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|-----------------------|-------------------------|-------------------------|
| Unbilled revenue      | 1,014                   | 637                     |
| Other current assets* | 712                     | 643                     |
| <b>Total</b>          | <b>1,726</b>            | <b>1,280</b>            |

\*Includes derivative asset of Rs 93 (As at March 31, 2013: Rs 181).

**3.6 Other income**

| Particulars                     | For the year ended March 31, |            |
|---------------------------------|------------------------------|------------|
|                                 | 2014                         | 2013       |
| Interest income                 | 66                           | 64         |
| Dividend income                 | 150                          | 128        |
| Net gain on sale of investments | 130                          | 133        |
| Foreign exchange gain/ (loss)   | 118                          | -          |
| Other non-operating income      | 30                           | 25         |
| <b>Total</b>                    | <b>494</b>                   | <b>350</b> |



**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.7 Expenses**

| <b>Employee benefits expense</b>             | <b>For the year ended March 31,</b> |               |
|--|-------------------------------------|---------------|
|  | <b>2014</b>                         | <b>2013</b>   |
| Salaries and wages                           | 16,189                              | 13,029        |
| Contribution to provident and other funds    | 1,404                               | 1,107         |
| Expense on employee stock based compensation | 79                                  | 2             |
| Staff welfare expenses                       | 148                                 | 136           |
| <b>Total</b>                                 | <b>17,820</b>                       | <b>14,274</b> |

  

| <b>Finance costs</b> | <b>For the year ended March 31,</b> |             |
|----------------------|-------------------------------------|-------------|
|                      | <b>2014</b>                         | <b>2013</b> |
| Interest expense     | 4                                   | 10          |
| <b>Total</b>         | <b>4</b>                            | <b>10</b>   |

  

| <b>Other expenses</b>          | <b>For the year ended March 31,</b> |              |
|--------------------------------|-------------------------------------|--------------|
|                                | <b>2014</b>                         | <b>2013</b>  |
| Travel expenses                | 1,466                               | 935          |
| Sub-contractor charges         | 1,406                               | 861          |
| Computer consumables           | 325                                 | 256          |
| Legal and professional charges | 383                                 | 249          |
| Power and fuel                 | 255                                 | 206          |
| Rent (Refer note 3.16)         | 537                                 | 412          |
| Repairs to buildings           | 42                                  | 55           |
| Repairs to machinery           | 28                                  | 20           |
| Insurance                      | 39                                  | 20           |
| Rates and taxes                | 74                                  | 72           |
| Exchange loss, net             | -                                   | 340          |
| Other expenses                 | 1,835                               | 1,398        |
| <b>Total</b>                   | <b>6,390</b>                        | <b>4,824</b> |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.8 Contingent liabilities and commitments**

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2014 is Rs 854 (March 31, 2013: Rs 470).
- b) As of the balance sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is Rs 5,683 (March 31, 2013: Rs 4,018).
- c) The Company has received an income tax assessment for the financial year 2008-09 wherein demand of Rs 24 has been raised against the Company 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 Company and 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 Company has filed an appeal against the demands received.

The Company has received a favourable order from the Commissioner of Income tax (Appeals) for majority of grounds and considering the order passed, there will not be any demand on the Company. On the other grounds which are not favourable, the Company has filed an appeal before the Income Tax Appellate Tribunal ('ITAT').

- d) The Company has received income tax assessments for financial years 2006-07 and 2007-08 for the erstwhile subsidiary Mindtree Technologies Private Limited (MTPL) with demands amounting to Rs 11 and Rs 10 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 Company has filed an appeal against the demand received. The Company has not deposited the amount of demand with the department.
- e) The Company has received income tax assessments under Section 143(3) of the Income-tax Act 1961 pertaining to erstwhile subsidiary Aztecsoft Limited for the financial years 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 wherein demand of Rs 91, Rs 49, Rs 61, Rs 28, Rs 58, Rs 119, Rs 214 and Rs 63 respectively has been raised against the Company. These demands have arisen mainly on account of transfer pricing adjustments made in the order. The Company has not accepted these orders and has been advised by its legal counsel/ advisors to prefer appeals before appellate authorities and accordingly the Company has filed appeals before the Commissioner of Income Tax (Appeals) and ITAT. The Company has deposited Rs 15 with the department against these demands. The department has adjusted pending refunds amounting to Rs 363 against these demands

## **Mindtree Limited**

### **Significant accounting policies and notes to the accounts (continued)**

**For the year ended March 31, 2014**

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

The Company received a favourable order from the Commissioner of Income Tax (Appeals) for the year 2001-02 where in the Commissioner of Income Tax (Appeals) accepted the Company's contentions and quashed the demand raised. The Income tax department appealed against the above mentioned order with ITAT. ITAT, in an earlier year passed an order setting aside both the orders of the Commissioner of Income Tax (Appeals) as well as the Assessing Officer and remanded the matter back to the Assessing Officer for re-assessment. The Company preferred an appeal with the Hon'ble High Court of Karnataka against the order of the ITAT. 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 Company has appealed against the demands received for financial years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09. Based on favourable order received by the Company 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.

- f) The Company 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 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 Company has filed an appeal with Commissioner of Income Tax (Appeals) against the demand received.

The Company has received the order from the Commissioner of Income Tax (Appeals) wherein the Commissioner of Income Tax (Appeals) accepted the grounds in part and in respect of unfavorable grounds, the Company has filed an appeal before Income Tax Appellate Tribunal. The final order giving effect by the Assessing Officer is completed and the demand is reduced to Rs 33. The Company has deposited Rs 5 with the department against this demand.

- g) The Company has received a draft assessment order for financial year 2009-10 from the Deputy Commissioner of Income Tax with a demand amounting to Rs 60 due to non-adjustment of brought forward losses and transfer pricing adjustments. 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 Company will file an appeal with Commissioner of Income Tax (Appeals) once the final order is received.

### **3.9 Quantitative details**

The Company is engaged in software development services. Such services are not capable of being expressed in any generic unit and hence, it is not possible to give the quantitative details required under paragraphs 5(viii)(c) of general instructions for preparation of the statement of profit and loss as per revised Schedule VI to the Companies Act, 1956.

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.10 Value of imports on CIF basis**

| <b>Particulars</b> | <b>For the year ended March 31,</b> |             |
|--------------------|-------------------------------------|-------------|
|                    | <b>2014</b>                         | <b>2013</b> |
| Capital goods      | 292                                 | 238         |
| Others             | -                                   | 4           |
| <b>Total</b>       | <b>292</b>                          | <b>242</b>  |

**3.11 Expenditure in foreign currency**

| <b>Particulars</b>     | <b>For the year ended March 31,</b> |              |
|------------------------|-------------------------------------|--------------|
|                        | <b>2014</b>                         | <b>2013</b>  |
| Branch office expenses | 11,203                              | 7,821        |
| Travel expenses        | 251                                 | 134          |
| Professional charges   | 28                                  | 21           |
| Others                 | 288                                 | 97           |
| <b>Total</b>           | <b>11,770</b>                       | <b>8,073</b> |

**3.12 Earnings in foreign currency**

| <b>Particulars</b>               | <b>For the year ended March 31,</b> |               |
|----------------------------------|-------------------------------------|---------------|
|                                  | <b>2014</b>                         | <b>2013</b>   |
| Income from software development | 29,484                              | 22,598        |
| Other income                     | 5                                   | 17            |
| <b>Total</b>                     | <b>29,489</b>                       | <b>22,615</b> |

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

- 3.13** During the year ended March 31, 2014, the Company has remitted in foreign currency dividend of Rs 21 (year ended March 31, 2013: Rs 8 million)

| <b>For the year ended March 31, 2014</b> |                                 |                              |                               |                        |
|--|---------------------------------|------------------------------|-------------------------------|------------------------|
| <b>Dividend</b>                          | <b>Year to which it relates</b> | <b>Number of shares held</b> | <b>Number of shareholders</b> | <b>Amount remitted</b> |
| Second interim dividend                  | 2012-13                         | 1,125,384                    | 78                            | 4.5                    |
| Final dividend                           | 2012-13                         | 1,124,402                    | 79                            | 5.6                    |
| First interim dividend                   | 2013-14                         | 1,098,098                    | 50                            | 5.4                    |
| Second interim dividend                  | 2013-14                         | 1,121,908                    | 51                            | 5.6                    |

  

| <b>For the year ended March 31, 2013</b> |                                 |                              |                               |                        |
|--|---------------------------------|------------------------------|-------------------------------|------------------------|
| <b>Dividend</b>                          | <b>Year to which it relates</b> | <b>Number of shares held</b> | <b>Number of shareholders</b> | <b>Amount remitted</b> |
| Final dividend                           | 2011-12                         | 1,743,465                    | 46                            | 3                      |
| First interim dividend                   | 2012-13                         | 1,693,943                    | 45                            | 5                      |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

**3.14 Segmental reporting**

Effective April 1, 2013, the Company has restructured its organisational and management structure and its internal financial reporting structure to be better aligned to market needs. Pursuant to such re-organization, the Company has identified Manufacturing, BFSI, Hitech, Travel and Transport and Others as its reportable business segments. Accordingly, as required by the accounting standards, comparatives have been restated and presented in line with the current segments.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Income and direct expenses in relation to segments are categorised 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 Company therefore believes that it is not practical to provide segment disclosures relating to such expenses and accordingly such expenses are separately disclosed as unallocable 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.

**Business segments**

| <b>Statement of profit and loss</b>                              | <b>For the year ended March 31,</b> |               |
|--|-------------------------------------|---------------|
|  | <b>2014</b>                         | <b>2013</b>   |
| <b>Segment revenue</b>   |                                     |               |
| Manufacturing  | 6,528                               | 4,498         |
| BFSI   | 6,986                               | 5,293         |
| Hitech   | 8,464                               | 7,210         |
| Travel & Transportation  | 6,077                               | 4,691         |
| Others   | 2,261                               | 1,926         |
| <b>Total</b>   | <b>30,316</b>                       | <b>23,618</b> |
| <b>Segment operating income</b>                                  |                                     |               |
| Manufacturing  | 1,594                               | 875           |
| BFSI   | 450                                 | 642           |
| Hitech   | 1,811                               | 1,543         |
| Travel & Transportation  | 1,363                               | 1,103         |
| Others   | 888                                 | 697           |
| <b>Total</b>   | <b>6,106</b>                        | <b>4,860</b>  |
| Unallocable expenses   | (809)                               | (964)         |
| <b>Profit for the year before interest, other income and tax</b> | <b>5,297</b>                        | <b>3,896</b>  |
| Interest expense   | (4)                                 | (10)          |
| Other income   | 494                                 | 350           |
| <b>Net profit before taxes</b>                                   | <b>5,787</b>                        | <b>4,236</b>  |
| Income taxes   | (1,275)                             | (847)         |
| <b>Net profit after taxes</b>                                    | <b>4,512</b>                        | <b>3,389</b>  |

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****Geographical segments**

| <b>Revenues</b> | <b>For the year ended March 31,</b> |               |
|-----------------|-------------------------------------|---------------|
|                 | <b>2014</b>                         | <b>2013</b>   |
| America         | 17,558                              | 13,411        |
| Europe          | 8,540                               | 6,944         |
| India           | 1,449                               | 1,462         |
| Rest of World   | 2,769                               | 1,801         |
| <b>Total</b>    | <b>30,316</b>                       | <b>23,618</b> |

**3.15 Related party transactions**

| <b>Name of related party</b>                                       | <b>Nature of relationship</b>   |
|--|---|
| Mindtree Software (Shanghai) Co., Ltd ('MSSCL'), Republic of China | Subsidiary  |
| Janaagraha Centre for Citizenship & Democracy                      | Entity with common key management person  |
| Amalgamated Bean Coffee Trading Company Limited ('ABCTCL')         | These entities are part of Coffee Day Group which through various entities and its promoters holds 19.84 % equity stake in Mindtree, and the group has a nominee on the Mindtree Board. |
| Tanglin Developments Limited ('TDL')                               |   |

**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

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

| Name of related party                           | Nature of transaction                                    | For the year ended March 31, |      |
|---|--|------------------------------|------|
|   |  | 2014                         | 2013 |
| Amalgamated Bean Coffee Trading Company Limited | Procurement of supplies                                  | 17                           | 13   |
| Janaagraha Centre for Citizenship & Democracy   | Donation paid  | 3                            | -    |
| Tanglin Developments Limited                    | Leasing office buildings and land                        | 399                          | 310  |
|   | Advances/ deposits paid                                  |                              |      |
|   | - towards electricity deposit/ charges                   | 3                            | 220  |
|   | - towards lease rentals                                  | 486                          | 259  |
|   | Advances/ deposits received back:                        |                              |      |
|   | - towards electricity deposit/ charges                   | 48                           | 108  |
|   | - towards lease rentals                                  | 327                          | 147  |
|   | Interest on advance towards electricity charges/ deposit | 22                           | 3    |

*Balances payable to related parties are as follows:*

| Name of related party        | As at<br>March 31, 2014 | As at<br>March 31, 2013 |
|------------------------------|-------------------------|-------------------------|
| Tanglin Developments Limited | -                       | 9                       |



**Mindtree Limited**  
**Significant accounting policies and notes to the accounts (continued)**  
**For the year ended March 31, 2014**  
**(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<br>March 31, 2014 | As at<br>March 31, 2013 |
|------------------------------|---|-------------------------|-------------------------|
| Tanglin Developments Limited | Rental Advance  |                         |                         |
|                              | - Current   | 126                     | 112                     |
|                              | - Non-current   | 94                      | -                       |
|                              | Advance towards electricity charges   |                         |                         |
|                              | - Current   | 48                      | 48                      |
|                              | - Non-current   | 16                      | 64                      |
|                              | Security deposit (including electricity deposit) returnable on termination of lease | 399                     | 345                     |
|                              | Interest accrued on advance towards electricity charges                             | 3                       | 3                       |

**Key Managerial Personnel:**

|                        |   |
|------------------------|---|
| Subroto Bagchi         | Executive Chairman  |
| Krishnakumar Natarajan | CEO & Managing Director   |
| S. Janakiraman         | Executive Director, President and Chief Technology Officer              |
| N.S. Parthasarathy     | Executive Director, President and Chief Operating Officer               |
| Dr. Albert Hieronimus  | Independent Director and Non-Executive Vice Chairman                    |
| V.G.Siddhartha         | Non-Executive Director  |
| Prof. David B. Yoffie  | Independent Director  |
| Prof. Pankaj Chandra   | Independent Director  |
| Ramesh Ramanathan      | Independent Director  |
| Apurva Purohit         | Independent Director  |
| Rostow Ramanan         | Chief Financial Officer and Alternate Director to Mr. N.S.Parthasarathy |
| Anjan Lahiri**         | -   |
| R. Srinivasan*         | -   |

\*R Srinivasan retired with effect from July 19, 2013

\*\*Anjan Lahiri resigned with effect from May 6, 2013.

## Mindtree Limited

### Significant accounting policies and notes to the accounts (continued)

For the year ended March 31, 2014

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

The Board of Directors appointed Apurva Purohit as an Independent Director and N S Parthasarathy as an Executive Director, effective January 1, 2014. Further, the Board of Directors appointed Rostow Ramanan as an Alternate Director to N S Parthasarathy, effective January 17, 2014.

Remuneration paid to key managerial personnel during the year ended March 31, 2014 amounts to Rs 151 (for the year ended March 31, 2013: Rs 96). Dividends paid to directors during the year ended March 31, 2014 amounts to Rs 134 (year ended March 31, 2013 amounts to Rs 30).

The above remuneration excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

### 3.16 Lease transactions

Lease rental expense under non-cancellable operating lease during the year ended March 31, 2014 amounted to Rs 266 (for the year ended March 31, 2013: Rs 161). Future minimum lease payments under non-cancellable operating lease are as below:

| Particulars  | As at          |                |
|--|----------------|----------------|
|  | March 31, 2014 | March 31, 2013 |
| Payable -- Not later than one year                           | 267            | 203            |
| Payable -- Later than one year and not later than five years | 473            | 521            |

Additionally, the Company leases office facilities and residential facilities under cancellable operating leases. The rental expense under cancelable operating lease during the year ended March 31, 2014 was Rs 271 (for the year ended March 31, 2013: Rs 251).

### 3.17 Earnings per equity share

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

| Particulars  | For the year ended<br>March 31, 2014 |             | For the year ended<br>March 31, 2013 |             |
|--|--------------------------------------|-------------|--------------------------------------|-------------|
|  | Basic EPS                            | Diluted EPS | Basic EPS                            | Diluted EPS |
| Weighted average number of equity shares outstanding during the year                               | 41,588,758                           | 41,588,758  | 40,974,712                           | 40,974,712  |
| Weighted average number of equity shares resulting from assumed exercise of employee stock options | -                                    | 307,651     | -                                    | 521,584     |
| Weighted average number of equity shares for calculation of earnings per share                     | 41,588,758                           | 41,896,409  | 40,974,712                           | 41,496,296  |

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.18 Auditor's remuneration**

| <b>Particulars</b> | <b>For the year ended March 31,</b> |             |
|--------------------|-------------------------------------|-------------|
|                    | <b>2014</b>                         | <b>2013</b> |
| Statutory audit    | 15                                  | 14          |
| Certification      | 2                                   | 2           |
| <b>Total</b>       | <b>17</b>                           | <b>16</b>   |

- 3.19** The Company has a development center at Gainesville, Florida, 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:

| <b>Nature of expenses</b>        | <b>For the year ended March 31,</b> |             |
|----------------------------------|-------------------------------------|-------------|
|                                  | <b>2014</b>                         | <b>2013</b> |
| Reimbursement of rent            | 3                                   | 2           |
| Grant towards workforce training | 28                                  | 4           |
| <b>Total</b>                     | <b>31</b>                           | <b>6</b>    |

The Company has availed a non-monetary grant of USD 950,000 for renovation of project facility in the previous year. This grant is subject to fulfillment of certain conditions such as creation of minimum employment with specified average salary and capital investment at the development center at Gainesville, Florida, US.

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.20 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2014 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

| <b>Particulars</b>   | <b>For the year ended</b> |                       |
|--|---------------------------|-----------------------|
|  | <b>March 31, 2014</b>     | <b>March 31, 2013</b> |
| The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting year;  | Nil                       | Nil                   |
| The amount of interest paid by the buyer under the Act along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;  | Nil                       | Nil                   |
| The amount of interest due and payable for the year (where the principal has been paid but interest under the Act not paid);   | Nil                       | Nil                   |
| The amount of interest accrued and remaining unpaid at the end of accounting year; and   | Nil                       | Nil                   |
| The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23. | Nil                       | Nil                   |

**Mindtree Limited****Significant accounting policies and notes to the accounts (continued)****For the year ended March 31, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

- 3.21** The financial statements are presented in Rs in million. Those items which are required to be disclosed and which were not presented in the financial statement due to rounding off to the nearest Rs in million are given as follows:

| <b>Particulars</b>                        | <i>Amount in Rs</i>             |                                 |
|---|---------------------------------|---------------------------------|
|   | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>March 31, 2013</b> |
| Share application money pending allotment | 27,235                          | -                               |
| Cash on hand                              | 25,277                          | 12,328                          |

- 3.22** Corresponding figures for the previous year presented have been regrouped, where necessary, to conform to the current year's classification.

As per our report attached  
For **B S R & Co. LLP**  
*Chartered Accountants*  
Firm Registration No.: 101248W

For **Mindtree Limited**

**Supreet Sachdev**  
*Partner*  
Membership No. : 205385

**Subroto Bagchi**  
Chairman

**N. Krishnakumar**  
CEO & Managing Director

**Rostow Ravanan**  
Chief Financial Officer

**Rajesh Srichand Narang**  
Company Secretary

Place: Bangalore  
Date: April 16, 2014

Place: Bangalore  
Date: April 16, 2014