WIPRO LTD
Form 6-K
November 04, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 OR 15d-16 of the Securities Exchange Act of 1934
November, 2009
Commission File Number 001-16139

WIPRO LIMITED
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant s name into English)
Karnataka, India
(Jurisdiction of incorporation or organization)
Doddakannelli, Sarjapur Road
Bangalore 560035, Karnataka, India
+91-80-2844-0055
(Address of principal executive offices)

Indicate by check mark if registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Yes o No þ

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)

Yes o No þ

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Table of Contents

Currency of Presentation and Certain Defined Terms

In this Quarterly Report references to U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to U.K. are to the United Kingdom.
Reference to $ or US$ or dollars or U.S. dollars are to the legal currency of the United States, references to £ or Sterling are to the legal currency of the United Kingdom and references to Rs. or Rupees or Indian rupees are to the legal currency of India. All amounts are in Rs. or in U.S. dollars unless stated otherwise. Our financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS), as issued by International Accounting Standard Board (IASB). References to Indian GAAP are to Indian Generally Accepted Accounting Principles. References to U.S. GAAP are to United States Generally Accepted Accounting Principles. References to a particular fiscal year are to our fiscal year ended March 31 of such year.
All references to we , us , our , Wipro or the Company shall mean Wipro Limited and, unless specifically indicate otherwise or the context indicates otherwise, our consolidated subsidiaries. Wipro is our registered trademark in the United States and India. All other trademarks or trade names used in this Quarterly Report on Form 6K are the property of the respective owners.
Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars are based on the certified foreign exchange rates published by Federal Reserve Board of New York on September 30, 2009, which was Rs. 48.09 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Information contained in our website, www.wipro.com, is not part of this Quarterly Report.

Forward-Looking Statements May Prove Inaccurate

In addition to historical information, this Quarterly Report on Form 6-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are not historical facts but instead represent our beliefs regarding future events, many of which are, by their nature, inherently uncertain and outside our control. As a result, the forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements, and reported results should not be viewed as an indication of future performance. For a discussion of some of the risks and important factors that could affect the Company s future results and financial condition, please see the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations.
The forward-looking statements contained herein are identified by the use of terms and phrases such as anticipate , believe , could , estimate , expect , intend , may , plan , objectives , outlook , probably , project , will terms and phrases. Such forward-looking statements include, but are not limited to, statements concerning:

- our expectations as to future revenue, margins, expenses and capital requirements;
- our expectations regarding the outcome of on-going legal proceedings and disputes with Indian tax authorities and the impact of such proceedings and disputes on our liquidity, results of operations, financial condition and cash flows;
- our exposure to market risks, including the effect of foreign currency exchange rates and interest rates on our financial results;
- the future impact of our acquisitions;
- projections that our cash and cash equivalents along with cash generated from operations will be sufficient to meet certain of our obligations; and
- the effect of future tax laws on our business.

We wish to ensure that all forward-looking statements are accompanied by meaningful cautionary statements, so as to ensure to the fullest extent possible the protections of the safe harbor established in the Private Securities Litigation Reform Act of 1995. Accordingly, as noted above, all forward-looking statements are qualified in their entirety by reference to, and are accompanied by, the discussion of certain important factors that could cause actual results to differ materially from those projected in such forward-looking statements in this report, including the factors discussed in the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. We caution the reader that this list of important factors may not be

2

Table of Contents

exhaustive. We operate in rapidly changing businesses, and new risk factors emerge from time to time. We cannot predict every risk factor, nor can we assess the impact, if any, of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management s analysis only as of the date hereof. In addition, readers should carefully review the other information in this Quarterly Report and in the Company s periodic reports and other documents filed with the Securities and Exchange Commission (SEC) from time to time.

Table of Contents

Table of Contents

Part I Financial Information

Item 1. Financial Statements

WIPRO LIMITED AND SUBSIDIARIES

Unaudited Condensed Consolidated Interim Statements of Financial Position

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

	Notes	As at March 31, 2009	As at September 30, 2009	As at September 30, 2009 Convenience Translation into US $ in millions
ASSETS				
Goodwill	5	56,143	54,548	1,134
Intangible assets	5	3,493	3,253	68
Property, plant and equipment	4	49,794	50,293	1,046
Investment in equity accounted investees	16	1,670	1,863	39
Deferred tax assets	18	4,355	2,437	51
Other non-current assets	11	6,791	7,863	164
Total non-current assets		122,246	120,257	2,501
Inventories	9	7,586	6,735	140
Trade receivables	8	48,612	45,632	949
Other current assets	11	16,173	10,798	225
Unbilled revenues		14,108	16,723	348
Available for sale investments	7	16,543	42,779	890
Current tax assets		9,825	11,304	235
Cash and cash equivalents	10	49,117	31,159	648
Total current assets		161,964	165,130	3,434
TOTAL ASSETS		284,210	285,387	5,935
EQUITY				
Share capital		2,930	2,933	61
Share premium		27,280	28,053	583
Retained earnings		126,646	141,633	2,945
Share based payment reserve		3,745	3,608	75
Other components of equity		(12,915)	(8,900)	(185)
Shares held by controlled trust		(542)	(542)	(11)
Equity attributable to the equity holders of the Company		147,144	166,785	3,468
Minority interest		237	373	8

Total equity		147,381	167,158	3,476
LIABILITIES				
Loans and borrowings	12	19,681	20,404	424
Employee benefit obligations	22	3,111	2,818	59
Derivative liabilities	15	8,767	5,913	123
Deferred tax liabilities	18	460	420	9
Other non-current liabilities and provisions	14	2,361	1,427	30
Total non-current liabilities		34,380	30,982	645
Loans and borrowings and bank overdrafts	12	37,211	23,052	479
Trade payables and accrued expenses	13	42,051	43,510	905
Unearned revenues		6,734	4,258	89
Current tax liabilities		6,492	7,104	148
Derivative liabilities	15	3,255	976	20
Other current liabilities and provisions	14	6,706	8,347	174
Total current liabilities		102,449	87,247	1,815
TOTAL LIABILITIES		136,829	118,229	2,460
TOTAL EQUITY AND LIABILITIES		284,210	285,387	5,935

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

Table of Contents

WIPRO LIMITED AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Income
(Rupees in millions, except share and per share data, unless otherwise stated)

	Notes	Three months ended September 30, 2008	Three months ended September 30, 2009	Three months ended September 30, 2009 Convenience Translation into US $ in millions	Six months ended September 30, 2008	Six months ended September 30, 2009	Six months ended September 30, 2009 Convenience Translation into US $ in millions
Revenues		65,303	68,937	1,433	125,718	132,805	2,762
Cost of revenues		(46,140)	(47,522)	(988)	(88,441)	(90,769)	(1,887)
Gross profit		**19,163**	**21,415**	**445**	**37,277**	**42,036**	**874**
Selling and marketing expenses		(4,422)	(4,490)	(93)	(8,632)	(8,730)	(182)
General and administrative expenses		(3,514)	(3,976)	(83)	(6,742)	(7,528)	(157)
Foreign exchange gains/(losses), net		(281)	240	5	(978)	(1,166)	(24)
Results from operating activities		**10,946**	**13,189**	**274**	**20,925**	**24,612**	**512**
Finance and other income/(expense), net	19	233	681	14	549	1,036	22
Share of profits of equity accounted investees	16	106	112	2	213	226	5
Profit before tax		**11,285**	**13,982**	**291**	**21,687**	**25,874**	**538**
Income tax expense	18	(1,559)	(2,217)	(46)	(3,002)	(3,957)	(82)
Profit for the period		**9,726**	**11,765**	**245**	**18,685**	**21,917**	**456**
Attributable to:							
		9,704	11,707	244	18,651	21,810	454

Equity holders of the Company							
Minority interest		22	58	1	34	107	2
Profit for the period		**9,726**	**11,765**	**245**	**18,685**	**21,917**	**456**
Earnings per equity share:	20						
Basic		6.68	8.04	0.17	12.84	14.97	0.31
Diluted		6.63	7.97	0.17	12.75	14.86	0.31
Weighted average number of equity shares used in computing earnings per equity share							
Basic		1,453,493,031	1,456,868,080	1,456,868,080	1,453,130,377	1,456,539,693	1,456,539,693
Diluted		1,463,732,182	1,468,243,743	1,468,243,743	1,462,368,363	1,467,911,787	1,467,911,787

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

Table of Contents

WIPRO LIMITED AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Comprehensive Income
(Rupees in millions, except share and per share data, unless otherwise stated)

	Notes	Three months ended September 30, 2008	2009	2009 Convenience Translation into US $ in millions	Six months ended September 30, 2008	2009	2009 Convenience Translation into US $ in millions
Profit for the period		9,726	11,765	245	18,685	21,917	456
Other comprehensive income, net of taxes:							
Foreign currency translation differences	17	2,384	553	12	2,570	384	8
Effective portion of changes in fair value of cash flow hedges	15	(3,986)	1,139	24	(11,205)	3,677	76
Net changes in fair value of available for sale investments	7	(123)	(268)	(6)	(111)	(64)	(1)
Total other comprehensive income, net of taxes		(1,725)	1,424	30	(8,746)	3,997	83
Total comprehensive income for the period		8,001	13,189	274	9,939	25,914	539
Attributable to:							
Equity holders of the Company		7,964	13,129	273	9,886	25,825	537
Minority interest		37	60	1	53	89	2
		8,001	13,189	274	9,939	25,914	539

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

7

Table of Contents

WIPRO LIMITED AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Changes in Equity
(Rupees in millions, except share and per share date, unless otherwise stated)

	Attributable to equity holders of the Company				Other components of equity							
	No. of shares	Share capital	Share premium	Retained earnings	Share based payment reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserve	Share held by controlled Trust	Equity attributable to the equity holders of the Company	Minority interest	Total equity
As at April 1, 2008	1,461,453,320	2,923	25,373	94,728	3,148	(10)	(1,097)	404		125,469	116	125,585
Cash dividend paid (including tax thereon)				(6,842)						(6,842)		(6,842)
Issue of equity shares on exercise of options	1,549,888	3	763		(676)					90		90
Profit for the period				18,651						18,651	34	18,685
Other comprehensive income						2,551	(11,205)	(111)		(8,765)	19	(8,746)
Compensation cost related to employee share based payment					1,040					1,040		1,040
As at September 30, 2008	1,463,003,208	2,926	26,136	106,537	3,512	2,541	(12,302)	293		129,643	169	129,812
As at April 1, 2009	1,464,980,746	2,930	27,280	126,646	3,745	797	(13,797)	85	(542)	147,144	237	147,381
Cash dividend paid (including tax thereon)				(6,823)						(6,823)		(6,823)
Issue of equity shares on exercise of options	1,296,680	3	773		(773)					3		3

Profit for the period				21,810						21,810	107	21,917
Other comprehensive income						402	3,677	(64)		4,015	(18)	3,997
Infusion of capital, net											47	47
Compensation cost related to employee share based payment					636					636		636
As at September 30, 2009	1,466,277,426	2,933	28,053	141,633	3,608	1,199	(10,120)	21	(542)	166,785	373	167,158
Convenience translation into US $ in millions		61	583	2,945	75	25	(210)		(11)	3,468	8	3,476

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

Table of Contents

WIPRO LIMITED AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Cash Flows
(Rupees in millions, except share and per share date, unless otherwise stated)

	Six months ended September 30,		
	2008	**2009**	**2009 Convenience Translation into US $ in millions**
Cash flows from operating activities:			
Profit for the period attributable to equity holders of the Company	18,651	21,810	454
Adjustments to reconcile profit for the period to net cash generated from operating activities:			
Gain on sale of property, plant and equipment	(9)	(12)	
Depreciation and amortization	3,237	3,959	82
Unrealized exchange (gain) / loss	1,902	(465)	(10)
Impact of cash flow hedging activities	(2,046)	2,735	57
Gain on sale of investments	(570)	(314)	(7)
Share based compensation	1,040	636	13
Income tax expense	3,002	3,957	82
Share of profits of equity accounted investees	(213)	(226)	(5)
Minority interest	34	107	2
Interest (income)/expenses, net	(742)	(1,094)	(23)
Changes in operating assets and liabilities:			
Trade and other receivable	(8,124)	2,004	42
Unbilled revenues	(4,289)	(2,615)	(54)
Inventories	(2,005)	851	18
Other assets	(3,631)	776	16
Trade payables and accrued expenses	8,885	2,182	45
Unearned revenues	1,577	(2,476)	(51)
Other liabilities	903	1,807	38
Cash generated from operating activities before taxes	17,602	33,622	699
Income taxes (paid) / refund, net	(796)	(4,325)	(90)
Net cash generated from operating activities	16,806	29,297	609
Cash flows from investing activities:			
Expenditure on property, plant and equipment and intangible assets	(8,552)	(5,236)	(109)
Proceeds from sale of property, plant and equipment	163	180	4
Purchase of available for sale investments	(208,640)	(192,534)	(4,004)
Proceeds from sale of available for sale investments	183,997	166,547	3,463
Investment in inter-corporate deposits	(250)	(500)	(10)
Refund of inter-corporate deposits		4,750	98
Payment for business acquisitions, net of cash acquired	(1,192)	(461)	(10)
Interest received	747	1,521	32

Dividend received	1,194	670	14
Net cash used in investing activities	(32,533)	(25,063)	(521)
Cash flows from financing activities:			
Proceeds from issuance of equity shares	71	4	
Proceeds from issuance of equity shares by a subsidiary		64	1
Repayment of loans and borrowings	(33,227)	(35,560)	(739)
Proceeds from loans and borrowings	37,208	21,941	456
Payment of cash dividend	(6,828)	(6,822)	(142)
Interest paid on loans and borrowings	(1,248)	(746)	(16)
Net cash used in financing activities	(4,024)	(21,119)	(439)
Net decrease in cash and cash equivalents during the period	(19,751)	(16,885)	(351)
Effect of exchange rate changes on cash and cash equivalents	472	(404)	(8)
Cash and cash equivalents at the beginning of the period	38,912	48,232	1,003
Cash and cash equivalents at the end of the period (Note 10)	19,633	30,943	643

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

Table of Contents

WIPRO LIMITED AND SUBSIDIARIES
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
(Rupees in millions, except share and per share data, unless otherwise stated)

1. **The Company overview:**

Wipro Limited (Wipro or the Parent Company); together with its subsidiaries and equity accounted investees (collectively, the Company or the Group) is a leading India based provider of IT Services, including Business Process Outsourcing (BPO) services, globally. Further, Wipro has other businesses such as IT Products, Consumer Care and Lighting and Infrastructure engineering.

Wipro is a public limited company incorporated and domiciled in India. The address of its registered office is Wipro Limited, Doddakannelli, Sarjapur Road, Bangalore 560 035, Karnataka, India. Wipro has its primary listing with Bombay Stock Exchange and National Stock Exchange in India. The Company s American Depositary Shares representing equity shares are also listed on the New York Stock Exchange. These condensed consolidated interim financial statements were authorized for issue by Audit Committee on November 04, 2009.

2. **Basis of preparation of financial statements**

(i) Statement of compliance:

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS), as issued by the International Accounting Standards Board (IASB).

(ii) Basis of preparation

These condensed consolidated interim financial statements are covered by *IFRS 1, First Time Adoption of IFRS* , as they are part of the period covered by the Company s first IFRS financial statements for the year ending March 31, 2010 and are prepared in accordance with *International Accounting Standard (IAS) 34, Interim Financial Reporting* .

The condensed consolidated interim financial statements corresponds to the classification provisions contained in *IAS 1(revised), Presentation of Financial Statements* . For clarity, various items are aggregated in the statements of income and statements of financial position. These items are disaggregated separately in the Notes, where applicable.

Until the adoption of IFRS, the financial statements included in the Company s Annual Report on Form 20-F and Quarterly Reports on Form 6-K were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). However, the transition to IFRS has been carried out from the accounting principles generally accepted in India (Indian GAAP), which is considered as Previous GAAP , for purposes of IFRS 1. An explanation of the effect of the transition from Previous GAAP to IFRS on the Company s equity and profit is provided in Note 3 (xviii). In addition, a reconciliation of the Company s equity and profit between Previous GAAP and U.S. GAAP is provided in Note 25.

The preparation of these condensed consolidated interim financial statements resulted in changes to the Company s accounting policies as compared to most recent annual financial statements prepared under Previous GAAP. Accounting policies have been applied consistently to all periods presented in the condensed consolidated interim financial statements including the preparation of the IFRS opening statement of financial position as at April 1, 2008 for the purpose of the transition to IFRS and as required by IFRS 1. These accounting policies have been applied consistently by all entities within the Group.

(iii) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost convention and on an accrual basis, except for certain financial instruments that have been measured at fair value as required by relevant IFRS.

(iv) Convenience translation

The accompanying condensed consolidated interim financial statements have been prepared and reported in Indian rupees, the national currency of India. Solely for the convenience of the readers, the condensed consolidated financial statements as of and for the six months ended September 30, 2009, have been translated into United States dollars at the certified foreign exchange rate of $1 = Rs. 48.09, as published by Federal Reserve Board of New York on September 30, 2009. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

(v) Use of estimates and judgment

Table of Contents

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the condensed consolidated financial statements is included in the following notes:

a) **Revenue recognition**: The Company uses the input (cost expended) method to measure progress towards completion. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates of future labor costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognized revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the period in which the loss becomes evident. To date, the Company has not incurred a material loss on any fixed-price and fixed-timeframe contract.

b) **Goodwill**: Goodwill is tested for impairment at least annually and when events occur or changes in circumstances indicate that the recoverable amount of the cash generating unit is less than its carrying value. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The calculation involves use of significant estimates and assumptions which includes revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.

c) **Income taxes:** The major tax jurisdictions for the Company are India and the U.S. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods. Though, the Company considers all these issues in estimating income taxes, there could be an unfavorable resolution of such issues.

d) **Other estimates:** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the uncollectability of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

   Similarly, the Company provides for inventory obsolescence, excess inventory and inventories with carrying values in excess of net realizable value based on assessment of the future demands, market conditions and specific inventory management initiatives. If market conditions and actual demands are less favorable than the Company s estimates, additional inventory write-downs may be required. In all cases inventory is carried at the lower of historical cost and net realizable value. The stock compensation expense is determined based on the Company s estimate of equity instruments that will eventually vest.

3. Significant accounting policies:

(i) Basis of consolidation:

Subsidiaries

The condensed consolidated interim financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved where a company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

All intra-company balances, transactions, income and expenses including unrealized income or expenses are eliminated in full on consolidation.

Equity accounted investees

Equity accounted investees are entities in respect of which, the Company has significant influence, but not control, over the financial and operating policies. Generally a Company has a significant influence if it holds between 20 and 50 percent of equity of another company. Investments in such entities are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

(ii) Functional and presentation currency:

Items included in the condensed consolidated interim financial statements of each of the Company s subsidiaries and equity accounted investees are measured using the currency of the primary economic environment in which those entities operate (the functional currency). These condensed consolidated interim financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of Wipro Limited and its domestic subsidiaries and equity accounted investees.

(iii) Foreign currency transactions and translation:

a) Transactions and balances

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates prevailing at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income and reported within foreign exchange gains/(losses), net under operating income. Gains/losses relating to translation or settlement of debt denominated in foreign currency are reported in finance and other income / (expense), net.

b) Foreign operations

For the purpose of presenting condensed consolidated interim financial statements, the assets and liabilities of the Company s foreign operations that have local functional currency are translated into Indian Rupee using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income, a component of equity in foreign currency translation reserve (FCTR). When a foreign operation is disposed of, the relevant amount recognized in FCTR is transferred to the statement of income as part of the profit or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the reporting date.

c) Others

Foreign currency differences arising on the translation or settlement of a financial liability designated and effective as a hedge of a net investment in a foreign operation is recognized in other comprehensive income, a component of equity in the FCTR. When the hedged part of a net investment is disposed of, the relevant amount recognized in FCTR is transferred to the statement of income as part of the profit or loss on disposal. Foreign currency differences arising from translation of intercompany receivables or payables relating to foreign operations, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of net investment in foreign operation and are recognized in other comprehensive income, a component of equity in the FCTR.

(iv) Financial Instruments

a) Non-derivative financial instruments

Non derivative financial instruments consist of:

financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, finance lease receivables, employee and other advances, investments in equity and debt securities and eligible current and non-current assets;

financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payable, eligible current liabilities and non-current liabilities.

Non derivative financial instruments are recognized initially at fair value including any directly attributable transaction costs. Financial assets are derecognized when all of the risks and rewards of ownership have been transferred.

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

A. Cash and cash equivalents

Table of Contents

The Company s cash and cash equivalent consist of cash on hand and in banks and demand deposits with bank. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts.

B. Available-for-sale financial assets

The Company has classified investments in liquid mutual funds and equity securities, other than equity accounted investees and certain debt securities as available-for-sale financial assets. These investments are measured at fair value and changes therein are recognized in other comprehensive income, a component of equity in other reserve. The impairment losses, if any, are reclassified from equity into statement of income. When an available for sale financial asset is derecognized, the related cumulative gain or loss in other comprehensive income is transferred to statement of income.

C. Others

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

b) Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities, net investment in foreign operations and forecasted cash flows denominated in foreign currency.

The Company limits the effect of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into derivative financial instruments where the counterparty is a bank.

Derivatives are recognized and measured at fair value.

A. Cash flow hedges

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

B. Hedges of net investment in foreign operations

The Company designates derivative financial instruments as hedges of net investment in foreign operations. The Company has also designated a combination of foreign currency denominated borrowings and related cross-currency swaps as hedge of net investment in foreign operations. Changes in the fair value of the derivative hedging instruments and gains/losses on translation or settlement of foreign currency denominated borrowings designated as hedge of net investment in foreign operations are recognized in other comprehensive income, a component of equity in the FCTR to the extent that the hedge is effective.

C. Others

Changes in fair value of derivatives not designated as cash flow hedges or hedges of net investment in foreign operations and ineffective portion of cash flow hedges are recognized in the statement of income and reported within foreign exchange gains/(losses), net under operating income.

Changes in fair value and gain/(losses) on settlement of derivatives relating to borrowings, which have been not designated as hedges are recorded in finance and other income/(expense), net.

(v) Equity and share capital

a) Share capital and share premium

The Company has only one class of equity shares. The authorized share capital of the Company is 1,650,000,000 equity shares, par value Rs. 2 per share. Par value of the equity shares is recorded as share capital and the amount received in excess of par value is classified as share premium.

13

Every holder of the equity shares, as reflected in the records of the Company as of the date of the shareholder meeting shall have one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

b) Shares held by controlled trust (Treasury shares):

The Company s equity shares held by the controlled trust are classified as Treasury Shares. The Company has 8,930,563 treasury shares as of March 31, 2009 and September 30, 2009. Treasury shares are recorded at acquisition cost. During the year ended March 31, 2009, the Company completed the merger of a few of its subsidiaries with itself. Pursuant to the terms of merger approved by the courts in India, the Company issued 968,803 fully paid equity shares of Rs 542 to a controlled trust.

c) Retained earnings

Retained earnings contain the Company s prior year s undistributed profit after taxes. A portion of these earnings amounting to Rs. 1,144 is not freely available for distribution.

d) Share based payment reserve

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

e) Cash flow hedging reserve

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

f) Foreign currency translation reserve

The exchange difference arising from the translation of financial statements of foreign subsidiaries and changes in fair value of hedging instruments designated and effective as hedge of net investment in foreign operations (net of taxes) is recognized in other comprehensive income, a component of equity in the FCTR.

g) Other reserve

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

h) Dividend

Final dividend including tax thereon on the common stock is recorded as a liability on the date of approval by the shareholders. Interim dividend including tax thereon are recorded as a liability on the date of declaration by the board of directors.

(vi) Property, plant and equipment:

a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost.

b) Depreciation

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

Category	**Useful life**
Buildings	30 to 60 years
Plant and machinery	2 to 21 years
Computer equipment and software	2 to 6 years
Furniture, fixtures and equipment	3 to 10 years
Vehicles	4 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Deposits and advances paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not available for use before such date are disclosed under capital work- in-progress.

(vii) Business combination, Goodwill and Intangible assets:

Business combinations consummated subsequent to the Transition date are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. Contingent consideration is recorded when it is probable that such consideration would be paid and can be measured reliably.

a) Goodwill

The excess of the cost of acquisition over the Company s share in the fair value of the acquiree s identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the cost of acquisition is less than the fair value of the acquiree s identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the statement of income.

b) Intangible assets

Intangible assets acquired separately are measured at cost of acquisition. Intangible assets acquired in a business combination are measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any.

The amortization of an intangible asset with a finite useful life reflects the manner in which the economic benefit is expected to be generated and consumed.

The estimated useful lives of the amortizable intangibles assets are as follows:

Category	**Useful life**
Customer-related intangibles	2 to 5 years
Marketing related intangibles	20 to 30 years

(viii) Leases

a) Arrangements where the Company is the lessee

Leases of property, plant and equipment, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in statement of income on a straight-line basis over the lease term.

b) Arrangements where the Company is the lessor

In certain arrangements, the Company recognizes revenue from sale of products given under finance leases. The Company records gross finance receivables, unearned income and the estimated residual value of the leased equipment on consummation of such leases. Unearned income represents the excess of the gross finance lease receivable plus the estimated residual value over the sales price of the equipment. The Company recognises unearned income as financing revenue over the lease term using effective interest method.

(ix) Inventories

Inventories are valued at lower of cost and net realizable value, including necessary provision for obsolescence. Cost is determined using the weighted average method.

(x) Impairment

a) Financial assets:

Table of Contents

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

A. Loans and receivables

Impairment losses on trade and other receivables are recognized using separate allowance accounts. Refer Note 2 (v) (d) for further information regarding the determination of impairment.

B. Available for sale financial asset

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

b) Non financial assets

The Company assesses long-lived assets, such as property, plant, equipment and acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. At each reporting date the Company determines whether there are any indicators of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset. If the 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 recognized in the statement of income. If at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the impairment losses previously recognized are reversed such that the asset is recognized at its recoverable amount but not exceeding written down value which would have been reported if the impairment losses had not been recognized initially.

c) Goodwill

Goodwill is tested for impairment at least annually at the same time and when events occur or changes in circumstances indicate that the recoverable amount of the cash generating unit is less than its carrying value. The goodwill impairment test is performed at the level of cash-generating unit or groups of cash-generating units which represent the lowest level at which goodwill is monitored for internal management purposes.

(xi) Employee Benefit

a) Post-employment and pension plans

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

The company has the following employee benefit plans:

A. Provident fund

Employees receive benefits from a provident fund. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Company; while the remainder of the contribution is made to the government administered pension fund.

B. Superannuation

Superannuation plan is administered by Life Insurance Corporation of India and ICICI Prudential Insurance Company Limited. The Company makes annual contributions based on a specified percentage of each eligible employee s salary.

Table of Contents

C. Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The Company s obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation using the projected unit credit method.

The Company recognizes actuarial gains and losses immediately in the statement of income.

b) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefit as a result of an offer made to encourage voluntary redundancy.

c) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recorded as expense as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

d) Compensated absences

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

Non-accumulating compensated absences are recognized in the period in which the absences occur.

(xii) Share based payment transaction:

Employees of the Company receive remuneration in the form of equity instruments, for rendering services over a defined vesting period. Equity instruments granted is measured by reference to the fair value of the instrument at the date of grant. In cases, where equity instruments are granted at a nominal exercise price, the intrinsic value on the date of grant approximates the fair value. The expense is recorded by a corresponding increase to the share based payment reserve, a component of equity.

The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortization). The stock compensation expense is determined based on the Company s estimate of equity instruments that will eventually vest.

(xiii) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(xiv) Revenue: