HCL GUATEMALA, SOCIEDAD ANÓNIMA

Financial Statements

For the period 22nd February 2019 to 31st December 2019

HCL GUATEMALA, SOCIEDAD ANÓNIMA
Balance Sheet as at 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

	Note No.	As at 31 December 2019 (GTQ)	As at 31 December 2019 Refer Note 1(a) (₹)
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	**2.1**	4,899	45,362
(b) Capital work in progress		45	418
(c) Other non-current assets	**2.2**	19,552	181,058
(2) Current assets			
(a) Inventories	**2.3**	9,532	88,264
(b) Financial assets			
(i) Trade receivables	**2.4**	88,147	816,237
(ii) Cash and cash equivalents	**2.5**	8,022	74,280
(iii) Others	**2.6**	8,603	79,657
(c) Other current assets	**2.7**	36,021	333,562
TOTAL ASSETS		**174,821**	**1,618,839**
II. EQUITY			
(a) Equity share capital	**2.8**	21,066	195,071
(b) Other equity		9,022	83,525
TOTAL EQUITY		**30,088**	**278,596**
III. LIABILITIES			
(1) Non - current liabilities			
(a) Deferred tax liabilities (Net)		3,371	31,212
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	**2.9**	63,130	584,588
(ii) Trade payables	**2.10**	2,720	25,191
(iii) Others	**2.11**	59,360	549,688
(b) Other current liabilities	**2.12**	3,920	36,297
(c) Provisions	**2.13**	12,232	113,267
TOTAL EQUITY AND LIABILITIES		**174,821**	**1,618,839**
Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration Number : 101248W/W-100022

RAKESH DEWAN Digitally signed by RAKESH DEWAN Date: 2020.09.05 21:08:15 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 5 September 2020

For and on behalf of the Board of Directors
of HCL GUATEMALA, SOCIEDAD ANÓNIMA

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Director

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Shiv Kumar Walia
Director

Date: 5 September 2020

HCL GUATEMALA, SOCIEDAD ANÓNIMA

Statement of Profit and Loss for the period 22 February 2019 till 31 December 2019

(All amounts in thousands except share data and as stated otherwise)

		Note No.	Period ended 31 December 2019 (GTQ)	Period ended 31 December 2019 Refer Note 1(a) (₹)
I	**Revenue**			
	Revenue from operations	**2.14**	237,324	2,197,618
	Other income	**2.15**	16	145
	Total income		**237,340**	**2,197,763**
II	**Expenses**			
	Purchase of stock-in-trade		9,574	88,659
	Changes in inventories of stock-in-trade	**2.16**	(9,532)	(88,264)
	Employee benefits expense	**2.17**	170,838	1,581,966
	Finance costs	**2.18**	1,111	10,281
	Depreciation and amortization expense		190	1,763
	Outsourcing costs		36,262	335,790
	Other expenses	**2.19**	16,504	152,831
	Total expenses		**224,947**	**2,083,026**
III	**Profit before tax**		**12,393**	**114,737**
IV	**Tax expense**	**2.20**		
	Deferred tax charge (credit)		3,371	31,212
	Total tax expense		**3,371**	**31,212**
V	**Profit / (loss) for the period**		**9,022**	**83,525**
VI	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss		-	-
	Items that will be reclassified subsequently to profit or loss		-	-
VII	**Total Comprehensive Income for the period**		**9,022**	**83,525**
	Earnings per equity share of GTQ 1 each	**2.21**		
	Basic & Diluted		0.92	8.56
	Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

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Date: 5 September 2020

HCL GUATEMALA, SOCIEDAD ANÓNIMA

Statement of Changes in Equity for the period 22 February 2019 till 31 December 2019

(All amounts in thousands except share data and as stated otherwise)

(Amount in GTQ)

	Equity share capital		Other Equity
	No. of shares	Share capital	
Shares issued during the period	21,066,000	21,066	-
Profit for the period	-	-	9,022
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	9,022
Balance as of December 31, 2019	21,066,000	21,066	9,022

(Amount in (₹))

	Equity share capital		Other Equity
	No. of shares	Share capital	
Shares issued during the period	21,066,000	195,071	-
Profit for the period	-	-	83,525
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	83,525
Balance as of December 31, 2019	21,066,000	195,071	83,525

As per our report of even date

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Rakesh Dewan
Partner
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Gurugram, India
Date: 5 September 2020

For and on behalf of the Board of Directors
of HCL GUATEMALA, SOCIEDAD ANÓNIMA

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Shiv Kumar Walia
Director

Date: 5 September 2020

HCL GUATEMALA, SOCIEDAD ANÓNIMA

Statement of Cash flow for the period 22 February 2019 till 31 December 2019

(All amounts in thousands except share data and as stated otherwise)

	Period ended 31 December 2019 (GTQ)	Period ended 31 December 2019 Refer Note 1(a) (₹)
A. Cash flows from operating activities		
Profit/(loss) before tax	12,393	114,737
Adjustment for:		
Depreciation and amortization	190	1,763
Interest income	(16)	(145)
Interest expenses	1,108	10,257
Operating profit before working capital changes	**13,675**	**126,612**
Movement in Working Capital		
Increase in trade receivables	(88,147)	(816,237)
Increase in inventories	(9,532)	(88,264)
Increase in other financial assets and other assets	(64,176)	(594,266)
Increase in trade payables	2,720	25,190
Increase in provisions, other financial liabilities and other liabilities	69,740	645,793
Cash generated from (used in) operations	**(75,720)**	**(701,172)**
Direct taxes paid (net of refunds)	-	-
Net cash flow from (used in) operating activities (A)	**(75,720)**	**(701,172)**
B. Cash flows from investing activities		
Purchase of property,plant and equipment, including capital work in progress and capital advances	(470)	(4,352)
Interest received	16	145
Net cash flow from (used in) investing activities (B)	**(454)**	**(4,207)**
C. Cash flows from financing activities		
Proceeds from issue of share capital	21,066	195,071
Proceeds from short term borrowings	63,130	584,588
Net cash flow from (used in) financing activities (C)	**84,196**	**779,659**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	8,022	74,280
Cash and cash equivalents at the end of the period as per note 2.5	**8,022**	**74,280**

Summary of significant accounting policies (Note 1)

As per our report of even date.

FOR B S R & Co. LLP
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Membership Number: 092212

Gurugram, India
Date: 5 September 2020

For and on behalf of the Board of Directors
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Raghu Raman Lakshmanan
Director

Shiv Kumar Walia
Director

Date: 5 September 2020

Company Overview

HCL Guatemala, Sociedad Anónima (herein after referred to as the "Company") is primarily engaged in providing a range of software services and infrastructure services. The company was incorporated in Guatemala on 22 February 2019.

The financial statements for the period ended 31 December 2019 were approved and authorized for issue by the Board of Directors on 5 September 2020.

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements. The company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The functional currency of the Company is Guatemalan quetzal (GTQ). The translation from GTQ to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of GTQ 1 = ₹ 9.26/-, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amounts represent, or have been or could be converted into, GTQ at that or any other rate.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based upon management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, allowance for uncollectible accounts receivable, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

In view of pandemic relating to COVID-19, the company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled receivables, other financial assets and impact on revenues and costs. However, the actual impact of COVID-19 on the company's financial statements may differ from that estimated and the company will continue to closely monitor any material changes to future economic conditions.

c) Leases

Where the Company is the lessee

A lease is classified at the inception date as a finance lease or an operating lease.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Where the Company is the lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

d) Inventories

Stock in trade, stores and spares are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock in trade procured for specific projects is assigned by identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the assets as a whole.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard or period of performance. All other expenses on existing fixed assets, including day – to - day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use before the year-end, are disclosed as capital work – in - progress.

Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

The management's estimates of the useful lives of following assets for computing depreciation are as follows: -

	Life (in years)
Computer	4-5
Plant and machinery (including office equipment, air conditioner and electrical installations)	10

The useful life as given above best represents the period over which the management expects to use these assets, based on technical assessment. Hence, the useful life for the assets is different from the useful life prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f) Impairment of non-financial assets

Property, plant and equipment

Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in- use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

g) Fair value measurement

The company records certain financial assets and liabilities at fair value on a recurring basis. The company determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The guidance of fair value specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires a company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

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

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 - Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:

a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting methodology.

c) Cost approach – Replacement cost method.

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of nonfinancial assets such as goodwill and intangible assets. Goodwill and intangible assets recognized in business acquisition are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

h) Revenue Recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Time-and-material / Volume based / Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to the right to invoice for services performed.

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities. Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

Revenue from product sales are shown net of applicable taxes, discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Multiple performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which company would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges. Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future are considered as contract fulfillment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue or cost, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably being group control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out of-pocket expenses included in cost of revenues.

Volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in the balance sheet. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and right to consideration is not unconditional. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method and is recognized as other income.

i) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at its respective functional currency spot rates at the date of the transaction. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the year in which the transaction is settled. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

j) Taxation

Income tax expense comprises current and deferred income tax.

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest.

Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority.

k) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in banks, which is subject to an insignificant risk of changes in values.

Financial instruments at amortized cost

A financial instrument is measured at the amortized cost if both the following conditions are met:

The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

Derecognition of financial assets

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in statement of profit and loss.

ii) Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, borrowings including bank overdrafts and other payables.

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such that the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. Changes in fair value of such liability is recognized in the statement of profit or loss.

Financial liabilities at amortized cost

The Company's financial liabilities at amortized cost includes trade payables, borrowings including bank overdrafts and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

m) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

The Company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

n) Retirement and other employee benefits

Contributions to defined contribution plans are recognized as expense when employees have rendered services entitling them to such benefits. The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

p) Recently issued accounting pronouncements

Ind AS 116 Leases was notified in October 2018 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 January 2020. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17.

The Company is currently evaluating the impact that the adoption of this new standard will have on its financial statements.

HCL GUATEMALA, SOCIEDAD ANÓNIMA

Notes to financial statements for the period 22 February 2019 till 31 December 2019

(All amounts in thousands except share data and as stated otherwise)

2.1 Property, plant and equipment

The changes in the carrying value for the period ended 31 December 2019

	Plant and equipment	Computers	Total	Plant and equipment	Computers	Total
	(GTQ)	(GTQ)	(GTQ)	(₹)	(₹)	(₹)
Additions	1,420	3,669	**5,089**	13,148	33,977	**47,125**
Deletions/Adjustments	-	-	**-**	-	-	**-**
Gross block as at 31 December 2019	1,420	3,669	**5,089**	13,148	33,977	**47,125**
Charge for the period	49	141	**190**	456	1,307	**1,763**
Deletions/Adjustments	-	-	**-**	-	-	**-**
Accumulated depreciation as at 31 December 2019	49	141	**190**	456	1,307	**1,763**
Net block as at 31 December 2019	1,371	3,528	**4,899**	12,692	32,670	**45,362**

HCL GUATEMALA, SOCIEDAD ANÓNIMA

Notes to financial statements for the period 22 February 2019 till 31 December 2019

(All amounts in thousands except share data and as stated otherwise)

2.2 Other non- current assets

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Prepaid expenses	23	215
Deferred contract cost	19,529	180,843
	19,552	**181,058**

2.3 Inventories

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Stock in trade	9,532	88,264
	9,532	**88,264**

2.4 Trade receivable

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Current		
Unsecured, considered good (refer note below)	88,147	816,237
	88,147	**816,237**

Note:

1. Includes receivables from related parties amounting to GTQ 86,389/- thousands. (refer note 2.23).

2.5 Cash and bank balances

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Cash and cash equivalent		
Balance with banks		
- in current accounts	8,022	74,280
	8,022	**74,280**

2.6 Other financial assets

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Current		
Carried at amortized Cost		
Security deposits	692	6,408
Unbilled receviable	1,307	12,099
Unbilled receviable-related parties (refer note no. 2.23)	6,604	61,150
	8,603	**79,657**

2.7 Other current assets

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Unsecured , considered good		
Advances other than capital advances		
Advances to employees	207	1,912
Advances to suppliers	2,244	20,783
Deferred contract cost	8,129	75,279
Other receviables	23,150	214,371
Prepaid expenses	122	1,130
Others		
Withholding and other taxes receviable	2,169	20,087
	36,021	**333,562**

2.8 Equity share capital

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Authorized		
77,000,000 equity shares of GTQ 1 each	77,000	713,020
Issued, subscribed and fully paid up		
21,066,000 equity shares of GTQ 1 each	21,066	195,071

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of GTQ 1/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at	
	31 December 2019	
	No. of shares	GTQ
Shares issued during the year	21,066,000	21,066
Number of shares at the end	21,066,000	21,066

Shares held by holding/ultimate holding company and/or their subsidiaries/associates:-

Name of the shareholder	As at	
	31 December 2019	31 December 2019
	No. of shares	% holding in the class
Equity shares of GTQ 1 each fully paid		
HCL Bermuda Ltd.	21,065,999	99.99%
HCL Technologies UK Ltd.	1	0.01%

Details of shareholders holding more than 5 % shares in the company:-

Name of the shareholder	As at	
	31 December 2019	31 December 2019
	No. of shares	% holding in the class
Equity shares of GTQ 1 each fully paid		
HCL Bermuda Ltd.	21,065,999	99.99%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated and short term borrowings.

2.9 Borrowings

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Short term borrowings		
Unsecured		
Loan from related parties (refer note 2.23)	63,130	584,588
	63,130	**584,588**

2.10 Trade payables

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Trade payables	2,637	24,419
Trade payables-related parties (refer note no. 2.23)	83	772
	2,720	**25,191**

2.11 Other financial liabilities

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Current		
Carried at amortized Cost		
Capital accounts payables	4,664	43,190
Interest payable -related parties (refer note 2.23)	1,107	10,251
Employee bonuses accrued	12,157	112,575
Other employee costs	1,712	15,850
Others		
Liabilities for expenses	39,720	367,821
	59,360	**549,688**

2.12 Other current liabilities

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Others		
Withholding and other taxes payable	3,920	36,297
	3,920	**36,297**

2.13 Provisions

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Current		
Provision for employee benefits		
Provision for leave benefits	12,232	113,267
	12,232	**113,267**

2.14 Revenue from operations

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Sale of services	237,324	2,197,618
	237,324	**2,197,618**

Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers by contract type is as follows:

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Contract type		
Fixed price	89,127	825,315
Time and material	148,197	1,372,303
Total	**237,324**	**2,197,618**
Geography wise		
America	44,214	409,424
Europe	163,803	1,516,812
India	29,307	271,382
	237,324	**2,197,618**

Remaining performance obligations

As at 31 December 2019, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was nil. This is after exclusions of below:

a) Contracts for which we recognize revenues based on the right to invoice for services performed,

b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or

c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our consolidated balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized.

Deferred contract cost : Deferred contract cost primarily represents the contract fulfilment cost and cost for obtaining the contract.

The below table discloses the movement in balance of deferred contract cost:

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Additional cost capitalised during te period	27,659	256,121
Deduction on account of cost amortised during the period	-	-
Balance as at end of the year	**27,659**	**256,121**

The company has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (b) onerous projects; (c) penalties for not meeting SLAs; (d) volume discounts; (e) termination/deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

2.15 Other income

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Interest income		
- Others	16	145
	16	**145**

2.16 Changes in inventories of stock-in-trade

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Opening stock	-	-
Less: Closing stock	9,532	88,264
	(9,532)	**(88,264)**

2.17 Employee benefits expense

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Salaries, wages and bonus	146,700	1,358,442
Social security contribution	18,223	168,748
Leave encashment	5,284	48,929
Staff welfare expenses	631	5,847
	170,838	**1,581,966**

2.18 Finance cost

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Interest		
-others	1,108	10,257
Bank charges	3	24
	1,111	**10,281**

2.19 Other expenses

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Rent	2,659	24,627
Power and fuel	11	105
Insurance	1,359	12,586
Repairs and maintenance		
- Plant and machinery	7	60
- Buildings	845	7,826
- Others	579	5,362
Communication costs	300	2,778
Travel and conveyance	5,831	53,999
Business promotion	149	1,380
Legal and professional charges	2,251	20,843
Recruitment, training and development	1,494	13,830
Exchange differences (net)	454	4,205
Miscellaneous expenses	565	5,230
	16,504	**152,831**

2.20 Income taxes

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Income tax charged to statement of profit and loss		
Deferred tax charge (credit)	3,371	31,212
	3,371	**31,212**

The reconciliation between the provision for income tax and amount computed by applying the statutory income tax rate is as follows:

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Profit before income tax	12,393	114,737
Statutory tax rate	25%	25%
Expected tax expense	3,098	28,684
Other permanent differences	273	2,528
Total taxes	**3,371**	**31,212**
Effective income tax rate	**27%**	**27%**

Components of deferred tax assets and liabilities as on 31 December 2019 **(Amount in GTQ)**

	Recognised in profit and loss	Closing balance
Deferred tax assets		
Business losses	3,544	3,544
Gross Deferred tax assets (A)	**3,544**	**3,544**
Deferred tax liabilities		
Provision for Deferred Cost	6,915	6,915
Gross Deferred tax liabilities (B)	**6,915**	**6,915**
Net deferred tax liabilities (A-B)	**(3,371)**	**(3,371)**

(Amount in (₹))

	Recognised in profit and loss	Closing balance
Deferred tax assets		
Business losses	32,818	32,818
Gross Deferred tax assets (A)	**32,818**	**32,818**
Deferred tax liabilities		
Provision for Deferred Cost	64,030	64,030
Gross Deferred tax liabilities (B)	**64,030**	**64,030**
Net deferred tax liabilities (A-B)	**(31,212)**	**(31,212)**

2.21 Earnings Per Share

The computation of earnings per share is as follows:

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Net profit as per Statement of profit and loss for computation of EPS	9,022	83,525
Weighted average number of equity shares outstanding in calculating Basic EPS	9,759,546	9,759,546
Nominal value of equity shares	1	9.26
Earnings per equity share		
- Basic & Diluted	0.92	8.56

2.22 Leases

i) Operating Leases

The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognised in the statement of profit and loss for the year is GTQ 2,659 thousands (24,627 thousands). The rent equalization reserve for non-cancellable operating lease payable in future years and accounted for by the company is GTQ 1,166 thousands.

Future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

	Period ended	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Not later than one year	12,602	116,695
Later than one year but not later than five years	48,486	448,979
Later than five years	23,820	220,573
	84,908	786,247

2.23 Related Party Transaction

a) Related Parties where control exists

Ultimate Holding Company
HCL Technologies Limited, India

Holding Company
HCL Bermuda Ltd.
HCL Technologies UK Ltd.

b) Related Parties with whom transactions have taken place during the year

Ultimate Holding Company
HCL Technologies Limited, India

Holding Company
HCL Bermuda Ltd.
HCL Technologies UK Ltd.

Fellow Subsidiaries
HCL America Inc.
HCL Canada Inc.
HCL (Netherlands) B.V.
HCLTechnologies Chile SPA
HCL Technologies Corporat
HCL Hong Kong SAR Limited
HCL EAS Ltd.

HCL GUATEMALA, SOCIEDAD ANÓNIMA

Notes to financial statements for the period 22 February 2019 till 31 December 2019

(All amounts in thousands except share data and as stated otherwise)

c) Transactions with related parties during the ordinary course of business **(GTQ)**

	Ultimate Holding company	Holding company	Fellow subsidiaries
	Period ended	Period ended	Period ended
	31 December 2019	31 December 2019	31 December 2019
Consulting charges	34	-	-
Revenue	29,307	14,830	190,188
Interest Expense	-	-	1,108
Loan Taken during the period	-	-	63,130

(₹)

	Ultimate Holding company	Holding company	Fellow subsidiaries
	Period ended	Period ended	Period ended
	31 December 2019	31 December 2019	31 December 2019
Consulting charges	311	-	-
Revenue	271,382	137,329	1,761,144
Interest Expense	-	-	10,257
Loan Taken during the period	-	-	584,588

d) Outstanding balances of related parties **(GTQ)**

	Ultimate Holding company	Holding company	Fellow subsidiaries
	As at	As at	As at
	31 December 2019	31 December 2019	31 December 2019
Trade Payable	33	50	-
Interest Payable	-	-	1,107
Unbilled Receivables	-	1,992	4,612
Trade Receivables	29,307	12,889	44,193
Short Term Loans	-	-	63,130

(₹)

	Ultimate Holding company	Holding company	Fellow subsidiaries
	As at	As at	As at
	31 December 2019	31 December 2019	31 December 2019
Trade Payable	311	461	-
Interest Payable	-	-	10,251
Unbilled Receivables	-	18,443	42,707
Trade Receivables	271,382	119,348	409,232
Short Term Loans	-	-	584,588

2.24 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance.

Consequent to the reorganization of its operations due to technological changes and business requirements, effective current year the Company's holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segments.

Due to the reorganization of operations, the ultimate Holding Company effective current year monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disagreegation as per geography is given in note 2.14.

2.25 Financial Instruments

Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December, 2019 is as follows:

	Amortized Cost	Total Carrying Value	Amortized Cost	Total Carrying Value
	GTQ	GTQ	(₹)	(₹)
Financial Assets				
Trade receivables	88,147	88,147	816,237	816,237
Cash and cash equivalents	8,022	8,022	74,280	74,280
Others (refer note 2.6)	8,603	8,603	79,657	79,657
Total	104,772	104,772	970,174	970,174
Financial Liabilities				
Borrowings	63,130	63,130	584,588	584,588
Trade payables	2,720	2,720	25,191	25,191
Others (refer note 2.11)	59,360	59,360	549,688	549,688
Total	125,210	125,210	1,159,467	1,159,467

Trade receivables, unbilled receivables, finance lease receivables and contract assets have been valued after making reserve for allowances based on the expected credit loss method, considering factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals, considering impact of COVID – 19 impact on customers and related customer verticals.

(b) Financial risk management

The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's operations.

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than funtional currency. An insignificant portion of the Company's revenue is in other functional currency while a large protion of costs are in GTQ. The fluctuation in exchange rates in respect to GTQ may not have potential impact on the statement of profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately GTQ 1,174 thousands for the period ended 31 December 2019.

The rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the functional currency of the Company. The sensitivity analysis may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 December 2019 in major currencies is as below:

	Net financial assets	Net financial liabilities
	31 Dec 2019	31 Dec 2019
USD/GTQ	4,124	121,548

2.25 Financial Instruments (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Hence the Company is not significantly exposed to interest rate risk.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled revenue, finance lease receivables. By their nature, all such financial instruments involve risks, including the credit risk of nonperformance by counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The investment philosophy of the Company is capital preservation and liquidity in preference to returns. The Company consistently generates sufficient cash flows from operations and has access to multiple sources of funding to meet the financial obligations and maintain adequate liquidity for use.

Maturity profile of the Company financial liabilities based on contractual payments is as below:

	Year 1	Total
	(GTQ)	(GTQ)
As at 31 December 2019		
Borrowings	63,130	63,130
Trade payables	2,720	2,720
Others financial liabilities	59,360	59,360
	125,210	**125,210**

	Year 1	Total
	(₹)	(₹)
As at 31 December 2019		
Borrowings	584,588	584,588
Trade payables	25,191	25,191
Others financial liabilities	549,688	549,688
	1,159,467	**1,159,467**

2.26 Capital and other commitments

	As at	
	31 December 2019	31 December 2019
	(GTQ)	(₹)
Capital and other commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	3,361	31,120
	3,361	**31,120**

3. Previous year comparatives

This is the first year of operations of the company, hence there are no previous year figures for reporting comparatives.

FOR B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration Number : 101248W/W-100022

RAKESH DEWAN Digitally signed by RAKESH DEWAN Date: 2020.09.05 21:11:08 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 5 September 2020

For and on behalf of the Board of Directors
of HCL GUATEMALA, SOCIEDAD ANÓNIMA

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2020.09.05 19:54:15 +05'30'

Raghu Raman Lakshmanan
Director

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2020.09.05 19:54:39 +05'30'

Shiv Kumar Walia
Director

Date: 5 September 2020