HCL (Brazil) Technologia da informacao EIRELI

(Formerly known as HCL (Brazil) Technologia da informacao Ltda)

Financial Statement

For the year ended 31st December 2019 and 31st December 2018

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
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 (BRL)	As at 31 December 2018 (BRL)	As at 31 December 2019 Refer Note 1(a) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**2.1**	17,632	14,036	312,953
(b) Capital work in progress		335	260	5,946
(c) Goodwill		13,728	-	243,687
(d) Other intangible assets	**2.2**	2,200	190	39,061
(e) Financial assets				
(i) Others	**2.3**	452	181	8,023
(f) Deferred tax assets (net)	**2.4**	12,281	9,734	218,007
(g) Other non-current assets	**2.5**	1,127	1,023	20,022
(2) Current assets				
(a) Inventories	**2.6**	4,978	2,417	88,363
(b) Financial assets				
(i) Trade receivables	**2.7**	70,262	20,759	1,247,234
(ii) Cash and cash equivalents	**2.8**	25	39	443
(iii) Others	**2.3**	24,769	18,350	439,682
(c) Other current assets	**2.9**	22,239	3,948	394,756
TOTAL ASSETS		**170,028**	**70,937**	**3,018,177**
II. EQUITY				
(a) Equity share capital	**2.10**	30,505	30,505	541,499
(b) Other equity		(14,318)	(20,977)	(254,150)
TOTAL EQUITY		**16,187**	**9,528**	**287,349**
III. LIABILITIES				
(1) Non - current liabilities				
(a) Provisions	**2.11**	-	614	-
(b) Other non-current liabilities	**2.15**	44	-	784
(2) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	**2.12**	42,144	32,970	748,089
(ii) Trade payables	**2.13**	43,702	7,335	775,758
(iii) Others	**2.14**	24,479	11,628	434,526
(b) Provisions	**2.11**	5,786	2,951	102,699
(c) Current tax liabilities (net)		3,264	2,767	57,937
(d) Other current liabilities	**2.15**	34,422	3,144	611,035
TOTAL EQUITY AND LIABILITIES		**170,028**	**70,937**	**3,018,177**
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
ICAI Firm Registration Number : 101248W/W-100022
Chartered Accountants

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.04 20:31:31 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 04 September 2020

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2020.09.04 19:52:07 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 04 September 2020

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Statement of Profit and Loss for the year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

		Note No.	Year ended 31 December 2019 (BRL)	Year ended 31 December 2018 (BRL)	Year ended 31 December 2019 Refer Note 1(a) (₹)
I	**Revenue**				
	Revenue from operations	**2.16**	165,318	103,541	2,934,565
	Other income	**2.17**	0	1,338	1
	Total income		**165,318**	**104,879**	**2,934,566**
II	**Expenses**				
	Purchase of traded goods		6,014	2,214	106,764
	Changes in inventories of traded goods	**2.18**	(2,561)	(1,216)	(45,462)
	Employee benefits expense	**2.19**	88,647	51,506	1,573,570
	Finance costs	**2.20**	2,991	1,331	53,087
	Depreciation and amortization expense	**2.1 & 2.2**	5,986	3,791	106,257
	Outsourcing costs		39,121	29,788	694,435
	Other expenses	**2.21**	18,336	15,506	325,489
	Total expenses		**158,534**	**102,920**	**2,814,140**
III	**Profit before tax**		**6,784**	**1,959**	**120,426**
IV	**Tax expense**	**2.22**			
	Current tax		3,393	4,491	60,227
	Deferred tax charge (credit)		(3,268)	(2,205)	(58,019)
	Total tax expense		**125**	**2,286**	**2,208**
V	**Profit / (loss) for the year**		**6,659**	**(327)**	**118,218**
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 year**		**6,659**	**(327)**	**118,218**
	Earnings per equity share of BRL 1 each	**2.23**			
	Basic & Diluted		0.22	(0.01)	3.88
	Summary of significant accounting policies	**1**			

The accompanying notes are an integral part of the financial statements

As per our report of even date

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Chartered Accountants

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.04 20:33:01 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 04 September 2020

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RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2020.09.04 19:52:22 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 04 September 2020

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Statement of Changes in Equity for the year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

(Amount in BRL)

	Equity share capital		Other Equity
	Shares	Share capital	
Balance as of January 1, 2018	30,505,266	30,505	(20,650)
Profit / (loss) for the year	-	-	(327)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	(327)
Balance as of December 31, 2018	30,505,266	30,505	(20,977)
Balance as of January 1, 2019	30,505,266	30,505	(20,977)
Profit / (loss) for the year	-	-	6,659
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	6,659
Balance as of December 31, 2019	30,505,266	30,505	(14,318)

(Amount in ₹)

	Equity share capital		Other Equity
	Shares	Share capital	
Balance as of January 1, 2019	30,505,266	541,499	(372,368)
Profit for the year	-	-	118,218
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	118,218
Balance as of December 31, 2019	30,505,266	541,499	(254,150)

As per our report of even date

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

ANURAG KUMAR MAHESHWARY
Digitally signed by ANURAG KUMAR MAHESHWARY
Date: 2020.09.04 20:34:39 +05'30'

Anurag Maheshwary
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Membership Number: 506533

Gurugram, India
Date: 04 September 2020

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN
Digitally signed by RAGHU RAMAN LAKSHMANAN
Date: 2020.09.04 19:52:36 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 04 September 2020

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Statement of Cash flow for the Year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

	Year ended 31 December 2019 (BRL)	Year ended 31 December 2018 (BRL)	Year ended 31 December 2019 Refer Note 1(a) (₹)
A. Cash flows from operating activities			
Profit/(loss) before tax	6,784	1,959	120,426
Adjustment for:			
Depreciation and amortization	5,986	3,791	106,257
Interest income	0	(22)	(1)
Unrealised exchange loss/(gain) on short term loans	1,136	4,550	20,165
Interest expenses	2,851	1,083	50,602
Provision for doubtful debts / bad debts written off	222	264	3,938
Provisions no longer required written back	-	(1,316)	-
Operating profit before working capital changes	**16,979**	**10,309**	**301,387**
Movement in Working Capital			
(Increase)/decrease in trade receivables	(49,724)	14,026	(882,653)
(Increase)/decrease in inventories	(2,561)	(1,241)	(45,463)
(Increase)/decrease in other financial assets and other assets	(25,085)	(15,101)	(445,279)
Increase/ (decrease) in trade payables	36,368	495	645,562
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	44,159	4,684	783,869
Cash generated from (used in) operations	**20,136**	**13,172**	**357,423**
Direct taxes paid (net of refunds)	(2,177)	(4,246)	(38,639)
Net cash flow generated from (used in) operating activities (A)	**17,959**	**8,926**	**318,784**
B. Cash flows from investing activities			
Purchase of property,plant and equipment, including capital work in progress and capital advances	(8,348)	(10,009)	(148,186)
Payments for business acquisitions, net of cash acquired	(15,869)	-	(281,696)
Other Software purchased	(86)	(202)	(1,520)
Interest received	(0)	22	(1)
Net cash used in investing activities (B)	**(24,303)**	**(10,189)**	**(431,403)**
C. Cash flows from financing activities			
Proceeds from short term borrowings	8,038	813	142,683
Interest paid	(1,708)	(50)	(30,320)
Net cash flow from (used in) financing activities (C)	**6,330**	**763**	**112,363**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(14)	(500)	(256)
Cash and cash equivalents at the beginning of the year	39	539	699
Cash and cash equivalents at the end of the year as per note 2.8	**25**	**39**	**443**
Summary of significant accounting policies (Note 1)			

As per our report of even date.

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

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.04 20:36:05 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 04 September 2020

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2020.09.04 19:52:51 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 04 September 2020

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Significant accounting policies and notes to financial statements for the year ended 31 December 2019
(All amounts in BRL thousands except stated otherwise)

Company Overview

HCL (Brazil) Technologia da informacao EIRELI (Formerly known as HCL (Brazil) Technologia da informacao Ltda) (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 Brazil on 30 December 2008.

The financial statements for the year ended 31 December 2019 were approved and authorized for issue by the Board of Directors on 04 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. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

As the company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosure requirements of the Act.

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 Brazilian Real (BRL). The translation from BRL to ₹ is audited and is included solely for the convenience of readers in India and has been performed using rate of BRL 1 = ₹ 17.7510 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, BRL 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) and contingent liabilities 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.

c) Leases

Where the Company is the lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

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.

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

d) Inventories

Stock in trade is 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 are determined using the weighted average cost formula.

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

f) 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 during 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)
Computers	3-5
Plant and machinery (including office equipment, air conditioner and electrical installations)	10
Furniture and fixtures	7
Leasehold Improvements	Over the lease period or useful life of the asset, whichever is lower

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.

g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset

with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset 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.

The intangible assets are amortized over the estimated useful life of the assets as mentioned below.

	Life (in years)
Software	3
Customer relationships	10

h) Impairment of non-financial assets

Goodwill

Goodwill is tested annually on December 31, for impairment, or earlier whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGU) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in subsequent periods.

Intangible assets and property, plant and equipment

Intangible assets and 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.

i) 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. These assets consist primarily of nonfinancial assets such as goodwill and intangible assets. Goodwill and intangible assets recognized in a business acquisition are measured at fair value initially and subsequently when there is an indicator of impairment, if any and 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.

j) Revenue Recognition

Effective 1 January 2019, the Company has adopted Ind AS 115 using the cumulative effect method. The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information is not restated in the financial statement. The adoption of the standard did not have any material impact to the financial statements of the Company.

Contracts involving provision of services

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. A 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.

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.

Time-and-material contracts

Revenue with respect to time-and-material contracts is recognized as the related services are performed.

Revenue from product sales are shown net of sales tax and applicable 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 is also deferred. Revenue from maintenance services is recognized ratably over the period of the contract.

Revenue is recognized net of discounts and allowances, value-added tax and applicable taxes includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

k) 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 or loss 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.

l) 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.

m) 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 assets. Purchase and sale of financial assets are accounted for at trade date.

Cash and cash equivalent

Cash and cash equivalents in the balance sheet comprise cash in banks, which is subject to an insignificant risk of change 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 at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. Changes in fair value of such liability are recognized in the statement of profit or loss.

Financial liabilities at amortized cost

The Company’s financial liabilities at amortized cost include 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.

n) Earning 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.

o) Provisions

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 at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

p) 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 a 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.

q) Contingent liabilities

A contingent liability is a possible obligation that may arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

r) 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.

s) Acquisitions in the current year

On 7 December 2018, HCL Group had signed a definitive agreement to acquire business relating to select IBM software products, the acquisition though has been consummated effective 30th June 2019.

The HCL Group has acquired these products for security, marketing, commerce, and digital solutions along with certain assumed liabilities and in scope employees. With this HCL Group gets 100% control on the assets being acquired and has also taken full ownership of the research and development, sales, marketing, delivery and support for these products. Through this acquisition, the HCL Group intends to enhance its products and platforms offering to customers across a wide range of industries and markets. IBM will pay the Company for the assumed liabilities as related services are rendered, based on an agreed basis.

The company has paid BRL 7,806 till 30th June 2019. BRL 7,806 is payable after one-year end as per the agreement. These payables have been fair valued at BRL 7,574.

The resultant goodwill is considered non tax deductible and has been allocated to the CGU of the Company. This goodwill is attributable mainly to Company's ability to upgrade the products and enhance the sale of products to customers in existing business of the Company and targeting new customers

The table below shows the values and lives of intangible assets recognized on acquisition:

Asset description	Amount (BRL)	Life (Years)	Basis of amortization
Customer relationships	2,141	10	In proportion of estimated revenue
Goodwill	13,728		

t) 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 (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Notes to financial statement for the year ended 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 year ended 31 December 2019

	Leasehold Improvement	Plant and equipment	Computer	Furniture And Fixture	Total	Leasehold Improvement	Plant and equipment	Computer	Furniture And Fixture	Total
	(BRL)	(BRL)	(BRL)	(BRL)	(BRL)	(₹)	(₹)	(₹)	(₹)	(₹)
Gross block as at 1 January 2019	1,381	1,494	22,425	507	**25,807**	24,506	26,528	398,062	9,006	**458,101**
Additions	627	118	9,779	26	**10,550**	11,132	2,098	173,584	463	**187,276**
Deletions/Adjustments	-	-	1,582	-	**1,582**	-	-	28,090	-	**28,090**
Gross block as at 31 December 2019	2,008	1,612	30,622	533	**34,775**	35,638	28,626	543,556	9,469	**617,287**
Accumulated depreciation as at 1 January 2019	1,205	1,023	9,041	502	**11,771**	21,394	18,164	160,488	8,919	**208,965**
Charge for the year	181	109	5,475	3	**5,769**	3,216	1,938	97,189	61	**102,405**
Deletions/Adjustments	-	-	396	-	**396**	-	-	7,035	-	**7,035**
Accumulated depreciation as at 31 December 2019	1,386	1,132	14,120	505	**17,143**	24,610	20,102	250,642	8,980	**304,334**
Net block as at 31 December 2019	622	480	16,502	28	**17,632**	11,028	8,524	292,914	489	**312,953**

The changes in the carrying value for the year ended 31 December 2018

	Leasehold Improvement	Plant and equipment	Computer	Furniture And Fixture	Total
	(BRL)	(BRL)	(BRL)	(BRL)	(BRL)
Gross block as at 1 January 2018	1,384	1,261	13,085	507	**16,237**
Additions	-	240	9,345	-	9,585
Deletions/Adjustments	3	7	5	-	**15**
Gross block as at 31 December 2018	1,381	1,494	22,425	507	25,807
Accumulated depreciation as at 1 January 2018	1,109	954	5,452	500	**8,015**
Charge for the year	96	76	3,594	2	**3,768**
Deletions/Adjustments	-	7	5	-	**12**
Accumulated depreciation as at 31 December 2018	1,205	1,023	9,041	502	**11,771**
Net block as at 31 December 2018	175	471	13,384	5	**14,036**

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Notes to financial statement for the year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

2.2 Other Intangible Assets

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

	Software	Customer Relationship	Total	Software	Customer Relationship	Total
	(BRL)	(BRL)	(BRL)	(₹)	(₹)	(₹)
Gross block as at 1 January 2019	225	-	225	4,001	-	4,001
Additions	86	2,141	2,227	1,520	38,010	39,529
Deletions/Adjustments	-	-	-	-	-	-
Gross block as at 31 December 2019	311	2,141	2,452	5,521	38,010	43,530
Accumulated amortization as at 1 January 2019	35	-	35	616	-	616
Charge for the year	134	83	217	2,371	1,482	3,853
Deletions/Adjustments	-	-	-	-	-	-
Accumulated amortization as at 31 December 2019	169	83	252	2,987	1,482	4,469
Net block as at 31 December 2019	142	2,058	2,200	2,534	36,528	39,061

The changes in the carrying value for the year ended 31 December 2018

	Software
	(BRL)
Gross block as at 1 January 2018	23
Additions	202
Deletions/Adjustments	-
Gross block as at 31 December 2018	225
Accumulated amortization as at 1 January 2019	12
Charge for the year	23
Deletions/Adjustments	-
Accumulated amortization as at 31 December 2019	35
Net block as at 31 December 2018	190

The Company tests intangible assets for impairment when there is an indication for impairment. The Company has performed an evaluation of the amortization period and method for its intangible assets, along with intangible assets impairment testing considering the likely impact of COVID-19 on future cash flows and growth rates, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies.

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Notes to financial statement for the year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

2.3 Other financial assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Non - current			
Finance lease receivables	451	180	8,007
Security deposits	1	1	16
	452	**181**	**8,023**
Current			
Carried at amortized Cost			
Security deposits	-	48	-
Finance lease receivables	412	247	7,320
Unbilled receviable	9,774	9,561	173,496
Unbilled receviable-related parties (refer note no. 2.25)	14,583	8,494	258,866
	24,769	**18,350**	**439,682**

2.4 Deferred tax assets (net)

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Non Current			
Deferred Tax Asset (refer note no. 2.22)	12,281	9,734	218,007
	12,281	**9,734**	**218,007**

2.5 Other non- current assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Unsecured considered good unless otherwise stated			
Advances other than capital advances			
Security deposits	5	23	94
Others			
Prepaid expenses	247	276	4,387
Capital advances	18	-	324
Deferred contract cost	857	724	15,217
	1,127	**1,023**	**20,022**

2.6 Inventories

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Inventories (valued at lower of cost and net realisable value)			
Stock in trade	4,978	2,417	88,363
	4,978	**2,417**	**88,363**

2.7 Trade receivable

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Current			
Unsecured considered good	70,651	21,349	1,254,133
Trade Receivables which have significant increase in credit risk	423	4	7,515
	71,074	**21,353**	**1,261,648**
Impairment Allowance (allowance for bad and doubtful debts)			
Unsecured, considered good	(389)	(590)	(6,899)
Trade Receivables which have significant increase in credit risk	(423)	(4)	(7,515)
	70,262	**20,759**	**1,247,234**

Note:
1. Includes receivables from related parties amounting to BRL 13,265 (₹ 235,475) (31 December 2018, BRL 8,327) (refer note 2.25).

2.8 Cash and cash equivalent

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Balance with banks			
- in current accounts	25	39	443
	25	**39**	**443**

2.9 Other current assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Unsecured , considered good			
Advances other than capital advances			
Advances to employees	411	19	7,300
Advances to suppliers	292	284	5,177
Advances to suppliers -related parties (refer note no. 2.25)	1,063	-	18,875
Others			
Deferred contract cost	834	397	14,797
Deferred contract cost-related parties (refer note no. 2.25)	12,226	4	217,016
Prepaid expenses	2,375	1,100	42,164
Withholding and other taxes receviable	5,038	2,144	89,427
	22,239	**3,948**	**394,756**

2.10 Share Capital

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Authorized			
30,505,266 equity shares of BRL 1 each	30,505	30,505	541,499
Issued, subscribed and fully paid up			
30,505,266 equity shares of BRL 1 each	30,505	30,505	541,499

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of BRL 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		31 December 2018	
	No. of shares	BRL	No. of shares	BRL
Number of shares at the beginning	30,505,266	30,505	30,505,266	30,505
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	30,505,266	30,505	30,505,266	30,505

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

Name of the shareholder	As at			
	31 December 2019		31 December 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of BRL 1 each fully paid				
HCL Latin America Holding LLC	30,505,266	100%	30,505,266	100.00%

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

Name of the shareholder	As at			
	31 December 2019		31 December 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of BRL 1 each fully paid				
HCL Latin America Holding LLC	30,505,266	100%	30,505,266	100.00%

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 borrowing.

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Notes to financial statement for the year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

2.11 Provisions

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Non - Current			
Provision for employee benefits			
Provision for leave benefits	-	614	-
	-	**614**	**-**
Current			
Provision for employee benefits			
Provision for leave benefits	5,786	2,951	102,699
	5,786	**2,951**	**102,699**

2.12 Borrowings

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Short term borrowings			
Unsecured			
Bank Overdraft	9,959	1,921	176,777
Loan from related parties (refer note 2.25) (refer note below)	32,185	31,049	571,312
	42,144	**32,970**	**748,089**

Note:
Loan from related parties were availed for management of working capital.

2.13 Trade payables

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Trade payables	2,901	985	51,502
Trade payables-related parties (refer note no. 2.25)	40,801	6,350	724,256
	43,702	**7,335**	**775,758**

2.14 Other financial liabilities

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Current			
Carried at amortized Cost			
Capital accounts payables	1,534	442	27,225
Interest payable -related parties (refer note 2.25)	2,862	1,720	50,806
Employee bonuses accrued	1,110	234	19,699
Other employee costs	2,522	2,347	44,770
Others			
Liabilities for expenses	16,445	6,877	291,922
Liabilities for expenses-related parties (refer note no. 2.25)	6	8	104
	24,479	**11,628**	**434,526**

2.15 Other liabilities

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Non - Current			
Revenue received in advance	44	-	784
	44	**-**	**784**
Current			
Revenue received in advance	15,741	-	279,420
Deferred Consideration	7,574	-	134,448
Employee travel provision	182	-	3,225
Other Advances			
Advances received from customers	2	140	41
Others			
Withholding and other taxes payable	10,923	3,004	193,901
	34,422	**3,144**	**611,035**

2.16 Revenue from operations

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Sale of services	158,719	102,205	2,817,425
Sale of hardware and software	6,599	1,336	117,140
	165,318	**103,541**	**2,934,565**

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

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Contract type			
Fixed price	154,521	95,213	2,742,904
Time and material	10,797	8,328	191,661
Total	**165,318**	**103,541**	**2,934,565**
Geography wise			
America	17,864	26,995	317,108
Europe	14,065	4,531	249,672
India	24,758	13,657	439,477
Others	108,631	58,358	1,928,308
	165,318	**103,541**	**2,934,565**

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 BRL 56,946. This is after exclusions as 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

The below table discloses the movement in balances of contract liabilities :

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Balance as at beginning of the year	-	-	-
Additional amounts billed but not recognized as revenue	15,784	-	280,187
Deduction on account of revenues recognized during the year	-	-	-
Balance as at end of the year	**15,784**	**-**	**280,187**

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:

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Balance as at beginning of the year	4	467	67
Additional cost capitalised during the year	12,226	-	217,016
Deduction on account of cost amortised during the year	4	463	67
Balance as at end of the year	**12,226**	**4**	**217,016**

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.

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Notes to financial statement for the year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

2.17 Other income

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Interest income			
- Others	0	22	1
Provisions no longer required written back	-	1,316	-
	0	**1,338**	**1**

2.18 Changes in inventories of traded goods

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Opening stock	2,417	1,201	42,900
Less Closing stock	4,978	2,417	88,362
	(2,561)	**(1,216)**	**(45,462)**

2.19 Employee benefits expense

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Salaries, wages and bonus	72,074	44,061	1,279,380
Social security contribution	10,171	4,201	180,551
Leave encashment	5,989	3,040	106,304
Staff welfare expenses	413	204	7,336
	88,647	**51,506**	**1,573,571**

2.20 Finance cost

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Interest			
-on loans from banks	1,561	50	27,706
-on leased assets	232	-	4,126
-others	1,057	1,033	18,770
Bank charges	140	248	2,485
	2,990	**1,331**	**53,087**

2.21 Other expenses

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Rent	1,677	1,292	29,770
Power and fuel	394	356	6,986
Insurance	96	64	1,710
Repairs and maintenance			
- Plant and machinery	480	164	8,517
- Buildings	379	390	6,720
- Others	1,882	1,411	33,407
Communication costs	1,002	619	17,791
Travel and conveyance	4,351	1,658	77,241
Business promotion	144	71	2,562
Legal and professional charges	2,579	573	45,781
Rates and taxes	1,919	2,248	34,069
Provision for doubtful debts / bad debts written off	222	264	3,938
Recruitment, training and development	84	143	1,489
Exchange differences (net)	2,411	5,553	42,805
Miscellaneous expenses	716	700	12,703
	18,336	**15,506**	**325,489**

2.22 Income taxes

	Year ended		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(BRL)	**(BRL)**	**(₹)**
Income tax charged to statement of profit and loss			
Current income tax charge	5,206	3,490	92,414
Adjustment in respect of prior years	(1,813)	1,001	(32,187)
Adjustment in respect of prior years - Deferred tax	(777)	-	(13,796)
Deferred tax charge (credit)	(2,491)	(2,205)	(44,223)
	125	**2,286**	**2,208**

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

	Year ended		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(BRL)	**(BRL)**	**(₹)**
Profit before income tax	6,784	1,959	120,426
Statutory tax rate	34%	34%	34%
Expected tax expense	2,296	661	40,757
Adjustment in respect of prior years	(2,590)	929	(45,984)
Other permanent differences	474	696	8,414
Others	(56)	-	(997)
Total taxes	124	2,286	2,190
Effective income tax rate	**2%**	**117%**	**2%**

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

	Opening balance	**Recognized in profit and loss**	**Recognized in acquisition**	**Closing balance**
Deferred tax assets				
Business losses	341	(341)	-	-
Provision for doubtful debts	370	(96)	-	274
Unrealised foreign exchange loss	2,109	581	-	2,690
Accured employee cost	975	936	-	1,911
Provision for expenses	1,856	1,231	-	3,087
Adjustment for credit notes	3,645	603	-	4,248
Adjustment for deprecation	438	330	-	767
Deferred tax assets	9,734	3,244	-	12,978
Deferred tax liabilities				
Intangibles	-	(24)	721	696
Deferred tax liabilities	-	(24)	721	696
Net deferred tax assets	**-**	3,269	(721)	12,281

Components of deferred tax assets and liabilities as on 31 December 2018 **(Amount in BRL)**

	Opening balance	**Recognized in profit and loss**	**Recognized in acquisition**	**Closing balance**
Deferred tax assets				
Business losses	2393	(2,052)	-	341
Provision for doubtful debts	112	258	-	370
Unrealised foreign exchange loss	626	1,483	-	2,109
Accured employee cost	1454	(479)	-	975
Provision for expenses	1336	520	-	1,856
Adjustment for credit notes	3859	(214)	-	3,645
Adjustment for deprecation	-	438	-	438
Deferred tax assets	9,780	(46)	-	9,734
Deferred tax liabilities				
Unbilled receviables	2251	(2,251)	-	-
Deferred tax liabilities	2,251	(2,251)	-	-
Net deferred tax assets	7,529	2,205	-	9,734

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

	Opening balance	**Recognized in profit and loss**	**Recognized in acquisition**	**Closing balance**
Deferred tax assets				
Business losses	6,052	(6,052)	-	-
Provision for doubtful debts	6,568	(1,707)	-	4,862
Unrealised foreign exchange loss	37,433	10,317	-	47,751
Accured employee cost	17,306	16,622	-	33,928
Provision for expenses	32,947	21,857	-	54,804
Adjustment for credit notes	64,706	10,699	-	75,404
Adjustment for deprecation	7,769	5,852	-	13,621
Deferred tax assets	172,781	57,588	-	230,370
Deferred tax liabilities				
Other Provisions	-	-	-	-
Intangibles	-	(431)	12,794	12,362
Deferred tax liabilities	-	(431)	12,794	12,362
Deferred tax assets	172,781	58,019	(12,794)	218,007

2.23 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended		
	31 December 2019 (BRL)	31 December 2018 (BRL)	31 December 2019 (₹)
Net profit as per Statement of profit and loss for computation of EPS	6,659	(327)	118,218
Weighted average number of equity shares outstanding in calculating Basic and Diluted EPS	30,505,266	30,505,266	30,505,266
Nominal value of equity shares	1	1	18
Earnings per equity share			
- Basic & Diluted	0.22	(0.01)	3.88

2.24 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 BRL 1,677 (₹ 29,769), (Previous year BRL 1,291). The rent equalization reserve for non-cancellable operating lease payable in future years and accounted for by the company is BRL Nil, (Previous year BRL Nil).

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

	Year ended 31 December		
	2019	2018	2019
	BRL	BRL	(₹)
Not later than one year	2,009	764	35,666
Later than one year but not later than five years	6,092	670	108,136
	8,101	1,434	143,802

ii) Finance Lease: In case of assets given on lease

The Company has given networking equipment to its customers on finance lease basis. The future lease receivables in respect of assets given on finance lease as at 31 December 2019 are as follows:

	Total minimum lease payments receivable (BRL)	Interest included in minimum lease payments receivable (BRL)	Present value of minimum lease payments receivable (BRL)
Not later than one year	441	29	412
Later than one year and not later than 5 years	469	18	451
Total	**910**	**47**	**863**

	Total minimum lease payments receivable (₹)	Interest included in minimum lease payments receivable (₹)	Present value of minimum lease payments receivable (₹)
Not later than one year	7,827	507	7,320
Later than one year and not later than 5 years	8,325	319	8,007
	16,152	**826**	**15,327**

The Company has given networking equipment to its customers on finance lease basis. The future lease receivables in respect of assets given on finance lease as at 31 December 2018 are as follows:

	Total minimum lease payments receivable (BRL)	Interest included in minimum lease payments receivable (BRL)	Present value of minimum lease payments receivable (BRL)
Not later than one year	252	6	247
Later than one year and not later than 5 years	191	10	180
Total	**443**	**16**	**427**

2.25 Related Party Transaction

a) Related Parties where control exists

Ultimate Holding Company
HCL Technologies Limited, India

Holding Company
HCL Latin America Holding, LLC

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

Ultimate Holding Company
HCL Technologies Limited, India

Fellow Subsidiaries

FILIAL ESPAÑOLA DE HCL SL
Geometric China, Inc.
HCL (Netherlands) B.V.
HCL (New Zealand) Limited
HCL America Inc.
HCL America Solutions Inc
HCL Arabia LLC
HCL Axon Malaysia Sdn Bhd
HCL Axon Solutions (Shangai)
HCL Canada Inc
HCL Axon Tech.(Shanghai)
HCL Belgium N.V./S.A.
HCL Colombia
HCL GmbH
HCL GREAT BRITAIN Ltd.
HCL Greece
HCL Hong Kong SAR Limited
HCL Hungary Kft
HCL Ireland Information s
HCL Istanbul Bilisim Tekn
HCL ITALY S.R.L.
HCL Japan Limited
HCL POLAND SP.Z O.O.
HCL Singapore Pte Limited
HCL SWEDEN AB
HCL Tech BELGIUM
HCL Tech Denmark ApS
HCL Tech Norway AS
HCL Tech. Finland Oy
HCL Tech. Italy S.p.A.
HCL Technologies (Shanghai)
HCL Technologies Egypt Limited
HCL Technologies France
HCL Technologies Germany GmbH.
HCL Technologies Ltd Finland
HCL Technologies Mexico
HCL Technologies Middle East
HCL Technologies Romania
HCL Technologies South Africa
HCL Technologies Taiwan Ltd
HCL Technologies Thailand
HCL Technologies UK Ltd.
HCL Technologies Vietnam
HCLT Philippines Inc
HCLTechnologies Chile SPA
HCLTechnologies Sweden AB
Point to Point Products Ltd
PT. HCLT Indonesia

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

	Ultimate Holding company		Fellow subsidiaries	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Outsourcing costs	6,936	2,947	14,491	8,966
Revenue	24,758	14,567	31,486	31,281
Cost of goods sold	-	-	49	-
Interest Expense	-	-	1,057	1,033

(₹)

	Ultimate Holding company	Fellow subsidiaries
	Year ended	
	31 December 2019	31 December 2019
Outsourcing costs	123,127	257,233
Revenue	439,477	558,900
Cost of goods sold	-	869
Interest Expense	-	18,770

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

	Ultimate Holding company		Fellow subsidiaries	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Liabilities for expenses	6	8	-	-
Trade payables	20,361	1,374	20,440	4,976
Deferred Contract Cost	12,226	4	-	-
Interest Payable	-	-	2,862	1,720
Unbilled Receivables	14,583	8,494	-	-
Trade Receivables	4,532	3,016	8,734	5,311
Advances to suppliers	-	26	1,063	-
Short Term Loans	-	-	32,185	31,049

(₹)

	Ultimate Holding company	Fellow subsidiaries
	Year ended	
	31 December 2019	31 December 2019
Liabilities for expenses	104	-
Trade payables	361,421	362,836
Deferred Contract Cost	217,016	-
Interest Payable	-	50,806
Unbilled Receivables	258,866	-
Trade Receivables	80,445	155,031
Advances to suppliers	-	18,875
Short Term Loans	-	571,312

2.26 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. Till previous year the CODM evaluated the Company's performance by business segments comprising software services, infrastructure management services and business process outsourcing services.

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 disaggregation as per geography is given in note 2.16.

HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Notes to financial statements for the year ended 31 December 2019
(All amounts in thousands except share data and as stated otherwise)

2.27 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
	BRL	BRL	(₹)	(₹)
Financial Assets				
Trade Receivables	70,262	70,262	1,247,234	1,247,234
Cash and Cash Equivalents	25	25	443	443
Others (refer note 2.3)	25,221	25,221	447,705	447,705
Total	95,508	95,508	1,695,382	1,695,382
Financial Liabilities				
Borrowings	42,144	42,144	748,089	748,089
Trade Payables	43,702	43,702	775,758	775,758
Others (refer note 2.14)	24,479	24,479	434,526	434,526
Total	110,325	110,325	1,958,373	1,958,373

The carrying value of financial instruments by categories as at 31 December, 2018 is as follows:

	Amortized Cost	Total Carrying Value
	BRL	BRL
Financial Assets		
Trade Receivables	20,759	20,759
Cash and Cash Equivalents	39	39
Others (refer note 2.3)	18,531	18,531
Total	39,329	39,329
Financial Liabilities		
Borrowings	32,970	32,970
Trade Payables	7,335	7,335
Others (refer note 2.14)	11,628	11,628
Total	51,933	51,933

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.

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 curriences other than foreign curreny. An insignificant portion of the Company's revenue is in other foreign currency while a large portion of costs are in BRL. The fluctuation in exchnges rates in respect to BRL 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 BRL 611 for the year 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 respective functional currencies of the Company . The sensitivity analysis presented above may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 December 2019 and 31 December 2018 in major currencies is as below:

	Net financial assets		Net financial liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
USD/BRL	4,337	5,632	54,283	42,400
EUR/BRL	1,442	1,423	5,278	2,572
CLP/BRL	2,379	2,372	4,319	4,084

(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. The Company's investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

2.27 Financial Instruments (continued)

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.

The allowance for lifetime expected credit loss on customer balances is as below:

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Balance at the beginning of the year	594	330	10,545
Additional provision during the year	380	594	6,739
Deductions on account of write offs and collections	(162)	(330)	(2,870)
Effect of exchange rates changes	-	-	-
Balance at the end of the year	**812**	**594**	**14,414**

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.

2.28 Capital and other commitments

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(BRL)	(BRL)	(₹)
Capital and other commitments Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	4,942	4,982	88,443
	4,942	**4,982**	**88,443**

2.29 Subsequemt event

The Company has evaluated all the subsequent events through _____ 2020, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

3 The Company is presenting figures in " BRL in thousands" and accordingly, amounts less than BRL 0.50 thousands are rounded off to zero.

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

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.04 20:38:23 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 04 September 2020

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2020.09.04 19:53:08 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 04 September 2020