HCL (Brazil) Technologia da informacao EIRELI

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

Financial Statement

For the year ended 31st December 2018 and 31st December 2017

S.R. BATLIBOI & CO. LLP
Chartered Accountants

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Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
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INDEPENDENT AUDITOR'S REPORT

To the Members of HCL (Brazil) Technologia da informacao EIRELI

Opinion

We have audited the accompanying special purpose Ind AS financial statements of HCL (Brazil) Technologia da informacao EIRELI ("the Company"), which comprise the Balance sheet as at December 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2018, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the special purpose Ind AS financial statements in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose Ind AS financial statements.

Responsibility of Management for the special purpose Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these special purpose Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the special purpose Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the special purpose Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the special purpose Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose Ind AS financial statements, including the disclosures, and whether the special purpose Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Other Matter

These special purpose Ind AS financial statements have been prepared in all material respects in accordance with the basis of preparation as set out in Note 1(a) to the Ind AS financial statements, which describes the basis of accounting and the related audit covered by the report was carried out following the generally accepted auditing principles in India. This report covering the financial statements of the Company for the year ended December 31, 2018 is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the ultimate holding company to comply with the financial reporting requirement in India. Use of these financial statements or the related audit report for any other purpose will be subject to the above explanation.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

Nilangshu Katriar

Per Nilangshu Katriar
Partner
Membership Number: 58814
Place of Signature: Gurugram
Date: June 19, 2019

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HCL (Brazil) Technologia da informacao EIRELI
(Formerly known as HCL (Brazil) Technologia da informacao Ltda)
Balance Sheet as at 31 December 2018
(All amounts in thousands except share data and as stated otherwise)

	Note No.	As at 31 December 2018 (BRL)	As at 31 December 2017 (BRL)	As at 31 December 2018 Refer Note 1(a) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	2.1	14,036	8,223	252,439
(b) Capital work in progress		260	-	4,679
(b) Other intangible assets	2.2	190	11	3,412
(c) Financial assets				
(i) Others	2.3	181	1	3,255
(d) Deferred tax assets (net)	2.4	9,734	7,529	175,060
(e) Other non-current assets	2.5	1,023	345	18,398
(2) Current assets				
(a) Inventories	2.6	2,417	1,176	43,466
(b) Financial assets				
(i) Trade receivables	2.7	20,759	35,049	373,361
(ii) Cash and cash equivalents	2.8	39	539	710
(iii) Others	2.3	18,350	6,527	330,034
(c) Other current assets	2.9	3,948	1,528	71,000
TOTAL ASSETS		70,937	60,928	1,275,814
II. EQUITY				
(a) Equity share capital	2.10	30,505	30,505	548,640
(b) Other equity		(20,977)	(20,650)	(377,244)
TOTAL EQUITY		9,528	9,855	171,396
III. LIABILITIES				
(1) Non - current liabilities				
(a) Provisions	2.11	614	561	11,042
(2) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	2.12	32,970	27,607	592,960
(ii) Trade payables	2.13	7,335	6,840	131,931
(iii) Others	2.14	11,628	9,868	209,088
(b) Other current liabilities	2.15	3,144	493	56,547
(c) Provisions	2.11	2,951	3,181	53,078
(d) Current tax liabilities (net)		2,767	2,523	49,772
TOTAL EQUITY AND LIABILITIES		70,937	60,928	1,275,814
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 S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

S.R. BATLIBOI & CO. LLP GURUGRAM

Gurugram, India
Date: 19 June 2019

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

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 19 June 2019

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 2018
(All amounts in thousands except share data and as stated otherwise)

		Note No.	Year ended 31 December 2018 (BRL)	Year ended 31 December 2017 (BRL)	Year ended 31 December 2018 Refer Note 1(a) (₹)
I	**Revenue**				
	Revenue from operations	2.16	103,541	82,925	1,862,195
	Other income	2.17	1,338	206	24,067
	Total income		**104,879**	**83,131**	**1,886,262**
II	**Expenses**				
	Purchase of traded goods		4,756	1,150	85,545
	Changes in inventories of traded goods	2.18	(3,758)	(978)	(67,580)
	Employee benefits expense	2.19	51,506	48,184	926,330
	Finance costs	2.20	1,331	1,363	23,944
	Depreciation and amortization expense	2.1 & 2.2	3,791	2,734	68,174
	Outsourcing costs		29,788	18,730	535,735
	Other expenses	2.21	15,506	11,300	278,853
	Total expenses		**102,920**	**82,483**	**1,851,001**
III	**Profit before tax**		**1,959**	**648**	**35,261**
IV	**Tax expense**	2.22			
	Current tax		4,491	7,148	80,773
	Deferred tax charge (credit)		(2,205)	(7,529)	(39,659)
	Total tax expense		**2,286**	**(381)**	**41,114**
V	**Profit / (loss) for the year**		**(327)**	**1,029**	**(5,853)**
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**		**(327)**	**1,029**	**(5,853)**
	Earnings per equity share of BRL 1 each	2.23			
	Basic & Diluted		(0.01)	0.03	(0.19)
	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 S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 19 June 2019

S.R. BATLIBOI & CO. LLP GURUGRAM

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

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 19 June 2019

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 2018
(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, 2017	30,505,266	30,505	(21,679)
Profit for the year	-	-	1,029
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	1,029
Balance as of December 31, 2017	30,505,266	30,505	(20,650)
Balance as of January 1, 2018	30,505,266	30,505	(20,650)
Profit 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)

(Amount in ₹)

	Equity share capital		Other Equity
	Shares	Share capital	
Balance as of January 1, 2018	30,505,266	548,640	(371,391)
Profit for the year	-	-	(5,853)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	(5,853)
Balance as of December 31, 2018	30,505,266	548,640	(377,244)

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 19 June 2019

S.R. BATLIBOI & CO. LLP GURUGRAM

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

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 19 June 2019

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 2018
(All amounts in thousands except share data and as stated otherwise)

	Year ended 31 December 2018 (BRL)	Year ended 31 December 2017 (BRL)	Year ended 31 December 2018 Refer Note 1(a) (₹)
A. Cash flows from operating activities			
Profit/(loss) before tax	1,959	648	35,261
Adjustment for:			
Depreciation and amortization	3,791	2,734	68,174
Interest income	(22)	-	(404)
Unrealised exchange loss/(gain) on short term loans	4,550	1,136	81,825
Interest expenses	1,083	1,042	19,480
Provision for doubtful debts / bad debts written off	264	-	4,741
Provisions no longer required written back	(1,316)	(206)	(23,663)
Operating profit before working capital changes	**10,309**	**5,354**	**185,414**
Movement in Working Capital			
(Increase)/decrease in trade receivables	14,026	(9,802)	252,266
(Increase)/decrease in inventories	(1,241)	(953)	(22,316)
(Increase)/decrease in other financial assets and other assets	(15,101)	11,115	(271,594)
Increase/ (decrease) in trade payables	495	(13,258)	8,904
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	4,684	(4,804)	84,254
Cash generated from (used in) operations	**13,172**	**(12,348)**	**236,928**
Direct taxes paid (net of refunds)	(4,246)	(2,083)	(76,372)
Net cash flow from (used in) operating activities (A)	**8,926**	**(14,431)**	**160,556**
B. Cash flows from investing activities			
Purchase of property,plant and equipment, including capital work in progress and capital advances	(10,211)	(4,555)	(183,654)
Interest received	22	-	404
Net cash used in investing activities (B)	**(10,189)**	**(4,555)**	**(183,250)**
C. Cash flows from financing activities			
Repayment of short term borrowings- Bank overdraft	-	(5,453)	-
Proceeds from short term borrowings	813	25,363	14,623
Interest paid	(50)	(514)	(907)
Net cash flow from (used in) financing activities (C)	**763**	**19,396**	**13,716**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(500)	410	(8,978)
Cash and cash equivalents at the beginning of the year	539	129	9,688
Cash and cash equivalents at the end of the year as per note 2.8	**39**	**539**	**710**
Summary of significant accounting policies (Note 1)			

As per our report of even date.

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 19 June 2019

S.R. BATLIBOI & CO. LLP GURUGRAM

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

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 19 June 2019

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 2018

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, 2018 were approved and authorized for issue by the Board of Directors on 19 June, 2019.

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, (as amended from time to time.) 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 disclosures 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 BRL. The translation from BRL to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of BRL 1 = ₹ 17.9851/-, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amount represents, 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) 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.

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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, 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.

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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	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 represent 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) 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.

Any other goodwill including that arising on acquisition has tested for impairment at year end.

The management's estimates of the useful lives of software is 3 years.

g) Impairment of non-financial assets

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.

h) 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.

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i) Revenue Recognition

Adoption of new accounting principles

Effective 1 April 2018, 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 persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectability is reasonably assured. Contracts can be primarily categorized as time-and-material or fixed price contracts.

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 service tax, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

j) 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.

k) 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.

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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.

l) 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 equivalent

Cash 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.

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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.

m) 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.

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n) 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.

o) 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.

p) 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.

q) 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.

r) 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 April 2019. 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.

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12.

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

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(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 2018

	Leasehold Improvement	Plant and equipment	Computers	Furniture And Fixture	Total	Leasehold Improvement	Plant and equipment	Computers	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**	24,885	22,675	235,339	9,125	**292,024**
Additions	-	240	9,345	-	**9,585**	-	4,325	168,063	-	**172,388**
Deletions/Adjustments	3	7	5	-	**15**	57	122	90	-	**269**
Gross block as at 31 December 2018	1,381	1,494	22,425	507	**25,807**	24,828	26,878	403,312	9,125	**464,143**
Accumulated depreciation as at 1 January 2018	1,109	954	5,452	500	**8,015**	19,939	17,161	98,055	8,997	**144,152**
Charge for the year	96	76	3,594	2	**3,768**	1,719	1,365	64,639	39.57	**67,763**
Deletions/Adjustments	-	7	5	-	**12**	-	122	90	-	**212**
Accumulated depreciation as at 31 December 2018	1,205	1,023	9,041	502	**11,771**	21,658	18,404	162,604	9,037	**211,703**
Net block as at 31 December 2018	175	471	13,384	5	**14,036**	3,170	8,474	240,708	87	**252,439**

The changes in the carrying value for the year ended 31 December 2017

	Leasehold Improvement	Plant and equipment	Computers	Furniture And Fixture	Total
	(BRL)	(BRL)	(BRL)	(BRL)	(BRL)
Gross block as at 1 January 2017	1,274	1,175	9,364	507	**12,320**
Additions	110	86	4,222	-	4,418
Deletions/Adjustments	-	-	501	-	**501**
Gross block as at 31 December 2017	1,384	1,261	13,085	507	16,237
Accumulated depreciation as at 1 January 2017	1,017	854	3,420	498	**5,788**
Charge for the year	92	100	2,533	2	**2,727**
Deletions/Adjustments	-	-	501	-	**501**
Accumulated depreciation as at 31 December 2017	1,109	954	5,452	500	**8,015**
Net block as at 31 December 2017	275	307	7,633	7	**8,223**

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2.2 Other Intangible Assets

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

	Software (BRL)	Software (₹)
Gross block as at 1 January 2018	23	406
Additions	202	3,630
Deletions/Adjustments	-	-
Gross block as at 31 December 2018	225	4,036
Accumulated depreciation as at 1 January 2018	12	213
Charge for the year	23	411
Deletions/Adjustments	-	-
Accumulated depreciation as at 31 December 2018	35	624
Net block as at 31 December 2018	190	3,412

The changes in the carrying value for the year ended 31 December 2017

	Software (BRL)
Gross block as at 1 January 2017	23
Additions	-
Deletions/Adjustments	-
Gross block as at 31 December 2017	23
Accumulated depreciation as at 1 January 2017	6
Charge for the year	6
Deletions/Adjustments	-
Accumulated depreciation as at 31 December 2017	12
Net block as at 31 December 2017	11

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2.3 Other financial assets

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Non - current			
Finance lease receivables	180	-	3,239
Security deposits	1	1	16
	181	**1**	**3,255**
Current			
Carried at amortized Cost			
Security deposits	48	66	863
Finance lease receivables	247	257	4,439
Unbilled receviable (Previous year- Unbilled revenue)	9,561	2,447	171,964
Unbilled receviable-related parties (Previous year- Unbilled revenue-related parties) (refer note no. 2.25)	8,494	3,757	152,768
	18,350	**6,527**	**330,034**

2.4 Deferred tax assets (net)

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Non Current			
Others (refer note no. 2.22)	9,734	7,529	175,060
	9,734	**7,529**	**175,060**

2.5 Other non- current assets

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Unsecured considered good unless otherwise stated			
Advances other than capital advances			
Security deposits	23	23	419
Others			
Prepaid expenses	276	173	4,957
Deferred contract cost (Previous year- Deferred cost)	724	149	13,022
	1,023	**345**	**18,398**

2.6 Inventories

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Inventories (valued at lower of cost and net realisable value)			
Stock in trade	2,417	1,176	43,466
	2,417	**1,176**	**43,466**

2.7 Trade receivable

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Current			
Unsecured considered good	21,349	35,199	383,967
Trade Receivables which have significant increase in credit Risk	4	181	78
Trade Receivables - credit impaired	-	-	-
	21,353	**35,380**	**384,045**
Impairment Allowance (allowance for bad and doubtful debts)			
Unsecured, considered good	(590)	(150)	(10,606)
Trade Receivables which have significant increase in credit Risk	(4)	(181)	(78)
Trade Receivables - credit impaired	-	-	-
	20,759	**35,049**	**373,361**

Note:

1. Includes receivables from related parties amounting to BRL 8,327/- thousands ₹ 149,762 thousands (31 December 2017, BRL 20,083 /- thousands) (refer note 2.25).

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2.8 Cash and cash equivalent

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Balance with banks			
- in current accounts	39	539	710
	39	539	710

2.9 Other current assets

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Unsecured , considered good			
Advances other than capital advances			
Advances to employees	19	251	350
Advances to suppliers	284	16	5,111
Others			
Deferred contract cost (Previous year- Deferred cost)	397	361	7,136
Deferred contract cost-related parties (Previous year- Deferred cost-related parties) (refer note no. 2.25)	4	467	68
Prepaid expenses	1,100	433	19,775
Withholding and other taxes receviable	2,144	-	38,560
	3,948	1,528	71,000

2.10 Share Capital

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Authorized			
30,505,266 equity shares (31 Dec 2017, 30,505,266 equity shares) of BRL 1 each	30,505	30,505	548,640
Issued, subscribed and fully paid up			
30,505,266 equity shares (31 Dec 2017, 30,505,266 equity shares) of BRL 1 each	30,505	30,505	548,640

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 2018		31 December 2017	
	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:-

	As at			
Name of the shareholder	31 December 2018		31 December 2017	
	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:-

	As at			
Name of the shareholder	31 December 2018		31 December 2017	
	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.

There are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back immediately preceding the reporting date from date of incorporation

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.

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2.11 Provisions

	As at		
	31 December 2018	**31 December 2017**	**31 December 2018**
	(BRL)	**(BRL)**	**(₹)**
Non - Current			
Provision for employee benefits			
Provision for leave benefits	614	561	11,042
	614	**561**	**11,042**
Current			
Provision for employee benefits			
Provision for leave benefits	2,951	3,181	53,078
	2,951	**3,181**	**53,078**

2.12 Borrowings

	As at		
	31 December 2018	**31 December 2017**	**31 December 2018**
	(BRL)	**(BRL)**	**(₹)**
Short term borrowings			
Unsecured			
Bank Overdraft	1,921	1,108	34,544
Loan from related parties (refer note 2.25) (refer note below)	31,049	26,499	558,416
	32,970	**27,607**	**592,960**

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

2.13 Trade payables

	As at		
	31 December 2018	**31 December 2017**	**31 December 2018**
	(BRL)	**(BRL)**	**(₹)**
Trade payables	985	330	17,723
Trade payables-related parties (refer note no. 2.25)	6,350	6,510	114,208
	7,335	**6,840**	**131,931**

2.14 Other financial liabilities

	As at		
	31 December 2018	**31 December 2017**	**31 December 2018**
	(BRL)	**(BRL)**	**(₹)**
Current			
Carried at amortized Cost			
Capital accounts payables	442	611	7,947
Interest payable -related parties (refer note 2.25)	1,720	542	30,926
Employee bonuses accrued	234	31	4,206
Other employee costs	2,347	4,244	42,216
Others			
Liabilities for expenses	6,877	3,973	123,642
Liabilities for expenses-related parties (refer note no. 2.25)	8	467	151
	11,628	**9,868**	**209,088**

2.15 Other current liabilities

	As at		
	31 December 2018	**31 December 2017**	**31 December 2018**
	(BRL)	**(BRL)**	**(₹)**
Other Advances			
Advances received from customers	140	159	2,525
Others			
Withholding and other taxes payable	3,004	334	54,022
	3,144	**493**	**56,547**

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2.16 Revenue from operations

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Sale of services	102,205	82,181	1,838,174
Sale of hardware and software	1,336	744	24,021
	103,541	**82,925**	**1,862,195**

2.17 Other income

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Interest income			
- Others	22	-	404
Provisions no longer required written back	1,316	206	23,663
	1,338	**206**	**24,067**

2.18 Changes in inventories of traded goods

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Opening stock	(1,201)	223	(21,592)
Closing stock	2,557	1,201	45,988
	(3,758)	**(978)**	**(67,580)**

2.19 Employee benefits expense

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Salaries, wages and bonus	44,061	39,457	792,439
Social security contribution	4,201	4,956	75,547
Leave encashment'	3,040	3,624	54,672
Staff welfare expenses	204	147	3,672
	51,506	**48,184**	**926,330**

2.20 Finance cost

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Interest			
-on loans from banks	50	514	907
-others	1,033	527	18,573
Bank charges	248	322	4,464
	1,331	**1,363**	**23,944**

2.21 Other expenses

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Rent	1,292	1,173	23,231
Power and fuel	356	330	6,410
Insurance	64	41	1,142
Repairs and maintenance			-
- Plant and machinery	164	59	2,941
- Buildings	390	188	7,017
- Others	1,411	455	25,369
Communication costs	619	667	11,128
Books and periodicals			
Travel and conveyance	1,658	1,280	29,819
Business promotion	71	50	1,270
Legal and professional charges	573	1,804	10,307
Rates and taxes	2,248	-	40,437
Provision for doubtful debts / bad debts written off	264	-	4,741
Recruitment, training and development	143	145	2,578
Exchange differences (net)	5,553	3,261	99,878
Miscellaneous expenses	700	1,847	12,585
	15,506	**11,300**	**278,853**

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2.22 Income taxes

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Income tax charged to statement of profit and loss			
Current income tax charge	3,490	6,383	62,765
Adjustment in respect of prior years	1,001	765	18,008
Deferred tax charge (credit)	(2,205)	(7,529)	(39,659)
	2,286	**(381)**	**41,114**

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 2018	31 December 2017	31 December 2018
	(BRL)	(BRL)	(₹)
Profit before income tax	1,959	648	35,261
Statutory tax rate	34%	34%	34%
Expected tax expense	661	220	11,896
Adjustment in respect of prior years	929	765	16,717
Other permanent differences	696	1804	12,501
Withholding taxes write off	-	1,669	-
Adjustment of deferred tax assets of prior years	-	(4,839)	-
Total taxes	2,286	(381)	41,114
Effective income tax rate	**117%**	**-59%**	**117%**

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

	Opening balance	Recognized in profit and loss	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

(Amount in ₹)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	43,037	(36,905)	6,131
Provision for doubtful debts	2,021	4,634	6,655
Unrealised foreign exchange loss	11,252	26,674	37,927
Accured employee cost	26,146	(8,611)	17,534
Provision for expenses	24,031	9,350	33,382
Adjustment for credit notes	69,404	(3,845)	65,559
Adjustment for deprecation	-	7,872	7,872
Deferred tax assets	175,891	(831)	175,060
Deferred tax liabilities			
Unbilled receviables	40,490	(40,490)	-
Deferred tax liabilities	40,490	(40,490)	-
Deferred tax assets	135,401	39,659	175,060

Components of deferred tax assets and liabilities as on 31 December 2017 **(Amount in BRL)**

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	-	2,393	2,393
Provision for doubtful debts	-	112	112
Unrealised foreign exchange loss	-	626	626
Accured employee cost	-	1,454	1,454
Provision for expenses	-	1,336	1,336
Adjustment for credit notes	-	3,859	3,859
Deferred tax assets	-	9,780	9,780
Deferred tax liabilities			
Unbilled receviables	-	2,251	2,251
Deferred tax liabilities	-	2,251	2,251
Net deferred tax assets	-	7,529	7,529

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2.23 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended		
	31 December 2018 (BRL)	31 December 2017 (BRL)	31 December 2018 (₹)
Net profit as per Statement of profit and loss for computation of EPS	(327)	1,029	(5,853)
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	(0.01)	0.03	(0.19)

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 1,291,677 (₹ 23,230,937), (Previous year BRL 1,173,095). 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		
	2018	2017	2018
	BRL	BRL	(₹)
Not later than one year	443	944	7,961
Later than one year but not later than five year	-	443	-
	443	1,387	7,961

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 Dec 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**

	Total minimum lease payments receivable (₹)	Interest included in minimum lease payments receivable (₹)	Present value of minimum lease payments receivable (₹)
Not later than one year	4,541	101	4,439
Later than one year and not later than 5 years	3,427	188	3,239
	7,967	**289**	**7,678**

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 Dec 2017 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	260	3	257
Later than one year and not later than 5 years	-	-	-
Total	**260**	**3**	**257**

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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

HCL Axon Technologies Inc
HCL Axon Malaysia Sdn Bhd
HCL America Inc. (Axon)
HCL AMERICA INC.
HCL Tech.Solutions Gmbh
Filial Española De HCL Sl
HCL Technologies Germany
HCL ARGENTINA S.A.
HCL Technologies Mexico
HCL Technologies Thailand
HCL Axon Solutions (Shang
HCL Technologies Middle E
HCL Technologies UK Ltd.
HCL Australia Services Pt
HCL Poland Sp.Z O.O.
HCL Technologies B.V.
HCL Technologies Romania
HCL Hungary Kft
HCL Hong Kong SAR Limited
HCL Belgium N.V./S.A.
HCLTechnologies Chile SPA
HCL Great Britain Ltd.
HCL Singapore Pte Limited
HCL Istanbul Bilisim Tekn
HCL Technologies France
HCL Ireland Information s
HCL Axon (Pty) Ltd
HCL Sweden Ab
HCL GmbH
Hcl Technologies Austria
HCL Technologies (Shanghai)
HCL Italy S.R.L.
HCL (Netherlands) B.V.
HCL Tech. Italy S.p.A.
Axon Solutions Ltd
HCL Tech Denmark ApS
HCL Technologies Czech Republic
HCL Tech. Finland Oy
HCL Tech Norway AS

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

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

	Ultimate Holding company		Fellow subsidiaries	
	Year ended		Year ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Outsourcing costs	2,947	1,522	8,966	4,222
Revenue	14,567	8,303	31,281	32,036
Interest Expense	-	-	1,033	527
Loan Taken during the year	-	-	-	26,499

(₹)

	Ultimate Holding company	Fellow subsidiaries
	Year ended	
	31 December 2018	31 December 2018
Outsourcing costs	52,993	161,248
Revenue	261,987	562,599
Interest Expense	-	18,573

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

	Ultimate Holding company		Fellow subsidiaries	
	Year ended		Year ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Liability For Expense	8	467	-	-
Trade Payable	1,374	1,331	4,976	5,179
Deffered Contract Cost- (previous year Deffered Cost)	4	467	-	-
Interest Payable	-	-	1,720	542
Unbilled Receivables- (previous year Unbilled Revenue)	8,494	3,670	-	88
Trade Receivables	3,041	2,794	5,286	17,289
Short Term Loans	-	-	31,049	26,499

(₹)

	Ultimate Holding company	Fellow subsidiaries
	Year ended	
	31 December 2018	31 December 2018
Liability For Expense	151	-
Trade Payable	24,710	89,499
Deffered Contract Cost- (previous year Deffered Cost)	68	-
Interest Payable	-	30,926
Unbilled Receivables- (previous year Unbilled Revenue)	152,768	-
Trade Receivables	54,701	95,062
Short Term Loans	-	558,416

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2.26 Segment reporting

The company operations predominantly relate to providing a range of IT & BPO services. IT services include software services & IT infrastructure management services. Within software services, the company provides application development & maintenance, enterprise application, next generation SAAS (Software As A Service) application services to several customers. Infrastructure management services involve managing customer's IT assets effectively. Business process outsourcing services include the traditional contact centre & help desk services and the next generation services around platform BPO & BPAAS (Business Process As A Service) delivered through a global delivery model.

The Chief Operating Decision Maker ("CODM") evaluates the company performance by business segment, comprising software services, infrastructure management services and business process outsourcing services. Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting.

Segment revenue from customers by geographical area based on geographical location of the customer and segment assets are by geographical location of the assets. The principal geographical segments of the company have been classified as America, Europe, India and others.

The CODM assesses the performance of the operating segments based on a measure of segment earnings.

Segment accounting policies

The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments and are as set out in note 1 to the financial statements on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include finance cost, exchange difference.

b) Segment assets and liabilities

Assets and liabilities are not identified to any reportable segments, since these are increasingly used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to total assets and liabilities.

Financial information about the business segments for the year ended 31 Dec 2018 is as follows — **Amount in BRL**

	Software Services	Business process outsourcing services	Infrastructure services	Segment Total
Segment Revenue	17,561	4,516	81,464	103,541
Segment Results	**1,400**	**825**	**6,685**	8,910
Exchange difference				5,553
Unallocated corporate Expenses				67
Finance cost				1,331
Profit before taxes				**1,959**
Tax Expense				2,286
Net profit after tax				**(327)**

Amount in ₹

	Software Services	Business process outsourcing services	Infrastructure services	Segment Total
Segment Revenue	315,828	81,215	1,465,152	1,862,195
Segment Results	25,177	14,832	120,279	160,288
Exchange difference				99,878
Unallocated corporate Expenses				1,205
Finance cost				23,944
Profit before taxes				**35,261**
Tax Expense				41,114
Net loss after tax				**(5,853)**

Financial information about the business segments for the year ended 31 Dec 2017 is as follows — **Amount in BRL**

	Software Services	Business process outsourcing services	Infrastructure services	Segment Total
Segment Revenue	9,208	4,217	69,500	82,925
Segment Results	**(2,901)**	**542**	**7,532**	5,173
Exchange difference				3,146
Unallocated corporate Expenses				16
Finance cost				1,363
Profit before taxes				**648**
Tax Expense				(381)
Net profit after tax				**1,029**

Segment Revenue from customers by geographic area based on location of the customer is as follows:

	Year ended 31 December		
	2018	2017	2018
	BRL	BRL	₹
America	26,995	26,638	485,515
Europe	4,531	4,267	81,493
India	13,657	8,303	245,625
Others	58,358	43,717	1,049,562
	103,541	82,925	1,862,195

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(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 Dec, 2018 is as follows:

	Amortized Cost	Total Carrying Value	Amortized Cost	Total Carrying Value
	BRL	BRL	(₹)	(₹)
Financial Assets				
Trade Receivables	20,759	20,759	373,361	373,361
Cash and Cash Equivalents	39	39	710	710
Others (refer note 2.3)	18,531	18,531	333,289	333,289
Total	39,329	39,329	707,360	707,360
Financial Liabilities				
Borrowings	32,970	32,970	592,960	592,960
Trade Payables	7,335	7,335	131,931	131,931
Others (refer note 2.14)	11,628	11,628	209,088	209,088
Total	51,933	51,933	933,979	933,979

The carrying value of financial instruments by categories as at 31 Dec, 2017 is as follows:

	Amortized Cost	Total Carrying Value
	BRL	BRL
Financial Assets		
Trade Receivables	35,049	35,049
Cash and Cash Equivalents	539	539
Others (refer note 2.3)	6,528	6,528
Total	42,116	42,116
Financial Liabilities		
Borrowings	27,607	27,607
Trade Payables	6,840	6,840
Others (refer note 2.13)	9,868	9,868
Total	44,315	44,315

(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 curriences other than foreign curreny. An insignificant portion of the Company's revenue is in other foreign currency while a large protion of costs are in BRL. The fluctuation in exchnges rates in respect to BRL may not have potential impact on the statement fo 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 419,289 for the year ended 31 Dec, 2018.

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 and its branches. The sensitivity analysis presented above may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 December 2018 and 31 December 2017 in major currencies is as below:

	Net financial assets		Net financial liabilities	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
USD/BRL	5,632	3,505	42,400	34,540
EUR/BRL	1,423	1,270	2,572	1,886
CLP/BRL	2,372	2,249	4,084	3,229

(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.

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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 Dec 2018	31 Dec 2017	31 Dec 2018
	(BRL)	(BRL)	(₹)
Balance at the beginning of the year	330	142	5,943
Additional provision during the year	594	330	10,684
Deductions on account of write offs and collections	(330)	(142)	(5,943)
Effect of exchange rates changes	-	-	-
Balance at the end of the year	**594**	**330**	**10,684**

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 Dec 2018	31 Dec 2017	31 Dec 2018
	(BRL)	(BRL)	(₹)
Capital and other commitments			
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	4,982	3,959	89,609
	4,982	**3,959**	**89,609**

3. Previous year comparatives

The Company has changed its presentations from " BRL in absolute amount" to " BRL in thousands" and accordingly, amounts less than BRL 0.50 thousands are rounded off to zero.

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 19 June 2019

S.R. BATLIBOI & CO. LLP
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For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Date: 19 June 2019