Concept2Silicon Systems Private Limited

Financial Statements

Years ended 31 March 2019 and 31 March 2018

S.R. BATLIBOI & CO. LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Concept2Silicon Systems Private Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Concept2Silicon Systems Private Limited Limited ("the Company"), which comprise the Balance sheet as at March 31, 2019, 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 required by the Companies Act, 2013, as amended ("the Act") 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 March 31, 2019, 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 Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. 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 under the provisions of the Act and the Rules thereunder, 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 Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 2.27 to the Ind AS financial statements. The Board of Directors of the Company on 10 May 2019 has approved the merger of the Company on going concern basis with its ultimate holding Company "HCL Technologies Limited" as per the provisions of Section 230 to 232 of the Companies Act, 2013 (the "Act") and other applicable provisions which is subject to approval of shareholders and other regulators authorities. The Company will cease to exist after merger, however business will be merged on going concern basis, accordingly, these financial statements have been prepared on going concern basis.

Our opinion is not modified in respect of this matter.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these 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 Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act 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 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 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.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 Ind AS financial statements, including the disclosures, and whether the 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, including any significant deficiencies in internal control that we identify during our audit.

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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2019;

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

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i. The Company does not have any pending litigations which would impact its financial position;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

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

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Annexure 1 referred to in paragraph 1 of the section on "Report on Other Legal and Regulatory Requirements" of our report of even date
Re: Concept2Silicon Systems Private Limited (the Company)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under clause 3(i)(c) of the Order are not applicable to the Company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013, as amended. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013, as amended are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, as amended, for the products/services of the Company.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, goods and service tax, cess and other statutory dues applicable to it. The provisions relating to duty of custom and employees' state insurance are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of provident fund, income-tax, goods and service tax, cess and other statutory dues which have not been deposited on account of any dispute.

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(viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause 3(ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud / material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.

(xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013, as amended where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

per Nilangshu Katriar
Partner
Membership Number: 58814

S.R. BATLIBOI & CO. LLP GURUGRAM

Place: Gurugram
Date: June 19, 2019

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF CONCEPT2SILICON SYSTEMS PRIVATE LIMITED LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013, as amended ("the Act")

We have audited the internal financial controls over financial reporting of Concept2Silicon Systems Private Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013,as amended.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, as amended, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

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Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with Reference to these Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

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

S.R. BATLIBOI & CO. LLP
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Concept2Silicon Systems Private Limited
Balance Sheet as at 31 March 2019

(All amounts in thousands of ₹)

	Note No.	As at 31 March 2019	As at 31 March 2018
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	2.1	-	775
(b) Other intangible assets	2.2	-	4
(c) Deferred tax assets (net)	2.18	2,316	3,877
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	2.3	-	10,873
(ii) Cash and cash equivalents	2.4	1,159	569
(iii) Others	2.5	4,212	5,165
(b) Current tax assets (net)		19,041	10,230
(c) Other current assets	2.6	227	6,033
TOTAL ASSETS		**26,955**	**37,526**
II. EQUITY			
(a) Equity share capital	2.7	150	150
(b) Other equity		18,633	20,943
TOTAL EQUITY		**18,783**	**21,093**
III. LIABILITIES			
(1) Non - current liabilities			
(a) Provisions	2.8	589	795
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	2.9	4,942	11,342
(ii) Trade payables	2.10	124	-
(iii) Others	2.11	2,101	2,421
(b) Other current liabilities	2.12	340	1,662
(c) Provisions	2.8	76	213
TOTAL EQUITY AND LIABILITIES		**26,955**	**37,526**
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 Concept2Silicon Systems Private Limited

Prahlad Rai Bansal
Director

Subramanian Gopalakrishnan
Director

Noida (UP), India
Date: 19 June 2019

Concept2Silicon Systems Private Limited
Statement of Profit and Loss for the year ended 31 March 2019

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

	Note No.	Year ended 31 March 2019	Year ended 31 March 2018
I Revenue			
Revenue from operations	2.13	16,879	29,898
Other income	2.14	1,194	13,371
Total income		18,073	43,269
II Expenses			
Employee benefits expense	2.15	13,386	21,553
Finance costs	2.16	642	2,040
Depreciation and amortization expense	2.1 & 2.2	-	525
Other expenses	2.17	4,747	7,383
Total expenses		18,775	31,501
III Profit/(Loss) before tax		(702)	11,768
IV Tax expense	2.18		
Current tax		393	(1,258)
Deferred tax expense (credit)		1,471	3,864
Total tax expense		1,864	2,606
V Profit/(Loss) for the year		(2,566)	9,162
VI Other comprehensive income			
Items that will not be reclassified to statement of profit and loss			
Defined benefit plan actuarial gains/(losses)		346	79
Income tax effect		(90)	(24)
Total other comprehensive income		256	55
VII Total Comprehensive Income for the year		(2,310)	9,217
Earnings per equity share of ₹ 1 each	2.19		
Basic (in ₹)		(17.11)	61.08
Diluted (in ₹)		(17.11)	61.08
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

Nilangshu Katriar

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 Concept2Silicon Systems Private Limited

Prahlad Rai Bansal
Director

Subramanian Gopalakrishnan
Director

Noida (UP), India
Date: 19 June 2019

Concept2Silicon Systems Private Limited
Cash flow statement

(All amounts in thousands of ₹)

	Year ended 31 March 2019	Year ended 31 March 2018
A. Cash flows from operating activities		
Profit/(loss) before tax	(702)	11,768
Adjustment for:		
Depreciation and amortization	-	525
Interest expense	639	1,989
Profit on sale of fixed assets	(18)	-
Provisions no longer required written back	(93)	(2,253)
Provision for doubtful debts written back	(1,083)	(10,951)
Provision for doubtful advance written back	-	(132)
Provision for doubtful advances	3,481	-
Operating profit before working capital changes	**2,224**	**946**
Movement in Working Capital		
(Increase) decrease in trade receivables	10,873	52,917
(Increase) decrease in other financial assets and other assets	7,557	2,757
Increase (decrease) in trade payables	124	(1,688)
Increase (decrease) in provisions, other financial liabilities and other liabilities	(3,853)	(19,323)
Cash generated from operations	**16,925**	**35,609**
Direct taxes paid (net of refunds)	(9,204)	5,387
Net cash generated from operating activities (A)	**7,721**	**40,996**
B. Cash flows from financing activities		
Proceeds from short term borrowings from holding company	14,100	29,200
Repayment of long term borrowings	(20,500)	(68,500)
Interest paid	(731)	(2,334)
Net cash used in financing activities (B)	**(7,131)**	**(41,634)**
Net (decrease) increase in cash and cash equivalents (A+B)	590	(638)
Cash and cash equivalents at the beginning of the year	569	1,207
Cash and cash balance at the end of the year as per note 2.4	**1,159**	**569**

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 Concept2Silicon Systems Private Limited

Prahlad Rai Bansal
Director

Subramanian Gopalakrishnan
Director

Noida (UP), India
Date: 19 June 2019

Concept2Silicon Systems Private Limited

Statement of Changes in Equity for the year ended 31 March 2019

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

	Equity share capital		Other equity	Total Equity
	Shares	Share capital	Retained earnings	
Balance as of 1 April 2017	150,000	150	11,726	11,876
Profit for the year	-	-	9,162	9,162
Other comprehensive income / (loss)	-	-	55	55
Total comprehensive income for the year	-	-	9,217	9,217
Balance as of 31 March 2018	**150,000**	**150**	**20,943**	**21,093**
Balance as of 1 April 2018	150,000	150	20,943	21,093
Loss for the year	-	-	(2,566)	(2,566)
Other comprehensive income / (loss)	-	-	256	256
Total comprehensive income for the year	-	-	(2,310)	(2,310)
Balance as of 31 March 2019	**150,000**	**150**	**18,633**	**18,783**

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 Concept2Silicon Systems Private Limited

Prahlad Rai Bansal
Director

Subramanian Gopalakrishnan
Director

Noida (UP), India
Date: 19 June 2019

Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2019
(All amounts in thousands of ₹, except share data and as stated otherwise)

Company Overview

Concept2Silicon Systems Private Limited hereinafter referred to as the 'Company' was incorporated under the provisions of the Companies Act applicable in India in the month of June, 2009 , having its registered office at 501-503, Fourth Floor, Oxford House No.15, Rustam Bagh, Off Airport Road, Behind Manipal Hospital, Bangalore, Karnataka-560017. The Company is primarily engaged in providing a range of software development services. On 15th of October 2015 HCL Global Processing Services Limited has acquired 100% of shares from existing shareholders of Concept2Silicon Systems Private Limited and with effect from such date, the immediate holding company of the Company is HCL Global Processing Services Limited.

The financial statements for the year ended 31 March 2019 were approved and authorized for issue by the Board of Directors on 19 June 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (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 under the historical cost convention on an accrual and going concern basis except for the certain assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

The Company uses the Indian Rupee ('₹') as its reporting currency.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the 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 receivables, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment, intangible assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

c) Foreign currency transactions

The financial statements of the Company are presented in Indian Rupee (₹) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their 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

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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 functional currencies using the exchange rate in effect on the date of the transaction.

d) Fair value measurement

The Company records certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair value 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.

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.

e) 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 and material

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

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

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

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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 total cost to complete exceeds the estimated total revenues that will be generated by the contract and are included in cost of revenues and classified 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. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured.

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 continues to be in inventory.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfillment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and recorded as Deferred contract cost and amortized, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our statements of financial position, contract assets primarily relate to unbilled amounts on those contracts utilizing 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)

Interest income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

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f) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. 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 and penalties.

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. Deferred taxes which originate during the tax holiday period are reversed after the tax holiday period. For this purpose, reversal of timing differences is determined using first in first out method.

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 entity and the same taxation authority.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year 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.

g) 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 asset 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 property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from derecognition of assets 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 at the year-end are disclosed as capital work- in- progress.

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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 various assets for computing depreciation are as follows:

Asset description	Asset life (in years)
Plant and equipment (including air conditioners, electrical installations)	10
Office equipment's	5
Computers	4-5
Furniture and fixtures	7

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives 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.

h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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. 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:

Asset description	Asset life (in years)
Software	3

i) 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.

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j) Leases

Company as a lessee

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

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

k) 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.

l) 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.

m) Retirement and other employee benefits

Defined Contribution plan:

i. State Plans: The Company's contribution to State Plans, a defined contribution plan namely Employees' Pension Scheme are charged to the statement of profit and loss.

Unfunded Benefit plan:

i. Gratuity liability: The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's base salary and the tenure of employment (subject to a maximum of ₹ 20 lacs per employee). The liability is actuarially determined (using the projected unit credit method) at the end of each year. Actuarial gains/losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the year in which they occur.

ii. Contributions to provident fund, a defined benefit plan, are deposited with Recognized Provident Fund Trusts, set up by the ultimate holding Company. The liability is actuarially determined at the end of the year. Actuarial losses/ gains are recognized in the statement of profit and loss in the year in which they arise. The minimum interest rate payable by the Trust to the beneficiaries every year is notified by the Government and the Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

iii. Compensated absences: With effect from 01st January 2016, the employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost

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of accumulating compensated absences is determined by actuarial valuation (using the Projected Unit Credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

n) 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 short-term deposits

Cash and short-term deposits in the balance sheet comprise cash in banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial instruments at amortized cost

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) 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, 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 the 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.

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The Company's financial liabilities 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. 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.

o) Earnings per share

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

Diluted earnings per share are computed by dividing the net profit after tax 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.

p) Recently issued accounting pronouncements

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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Notes to financial statements for the year ended 31 March 2019

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

2. Notes to financial statements

2.1 Property, plant and equipment

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

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2018	Additions	Deletions	As at 31 March 2019	As at 1 April 2018	Charge for the year	Deletions	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
Plant and machinery	166	-	166	-	47	-	47	-	-	119
Office Equipment	311	-	311	-	214	-	214	-	-	97
Computers	1,278	-	1,278	-	822	-	822	-	-	456
Furniture and fittings	184	-	184	-	81	-	81	-	-	103
Total	**1,939**	**-**	**1,939**	**-**	**1,164**	**-**	**1,164**	**-**	**-**	**775**

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

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2017	Additions	Deletions	As at 31 March 2018	As at 1 April 2017	Charge for the period	Deletions	As at 31 March 2018	As at 31 March 2018	As at 1 April 2017
Plant and machinery	374	-	208	166	234	21	208	47	119	140
Office Equipment	509	-	198	311	320	92	198	214	97	189
Computers	3,588	-	2,310	1,278	2,775	357	2,310	822	456	813
Furniture and fittings	217	-	33	184	80	34	33	81	103	137
Total	**4,688**	**-**	**2,749**	**1,939**	**3,409**	**504**	**2,749**	**1,164**	**775**	**1,279**

2.2 Other intangible assets

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

	Gross block				Accumulated amortization				Net block	
	As at 1 April 2018	Additions	Deletions	As at 31 March 2019	As at 1 April 2018	Charge for the period	Deletions	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
Software	76	-	76	-	72	-	72	-	-	4
Total	**76**	**-**	**76**	**-**	**72**	**-**	**72**	**-**	**-**	**4**

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

	Gross block				Accumulated amortization				Net block	
	As at 1 April 2017	Additions	Deletions	As at 31 March 2018	As at 1 April 2017	Charge for the period	Deletions	As at 31 March 2018	As at 31 March 2018	As at 1 April 2017
Software	196	-	120	76	171	21	120	72	4	25
Total	**196**	**-**	**120**	**76**	**171**	**21**	**120**	**72**	**4**	**25**

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2.3 Trade Receivable

	As at	
	31 March 2019	31 March 2018
Unsecured considered good (refer note below)	-	10,873
Trade receivables which have significant increase in credit risk	3,205	4,288
Trade receivable-credit impaired	-	-
	3,205	15,161
Impaired allowance for bad and doubtful debts		
- Unsecured, considered good	-	-
- Trade receivables which have significant increase in credit risk	(3,205)	(4,288)
- Trade receivables-credit impaired	-	-
	-	10,873

Note : Includes receivable from related party amounting to ₹ Nil (31 March 2018, ₹ 9,809 thousand)

2.4 Cash and cash equivalent

	As at	
	31 March 2019	31 March 2018
Balance with banks		
- in current accounts	1,159	569
	1,159	569

2.5 Other financial assets

	As at	
	31 March 2019	31 March 2018
Current		
Carried at amortized cost		
Unsecured considered good		
Unbilled receivable - related party (previous year : unbilled revenue-related party) (refer note 2.25)	3,273	1,681
Security deposits	-	3,484
Other receivables - related party (refer note 2.25)	939	-
Unsecured considered doubtful		
Security deposits	3,484	-
Less: Provision for doubtful advances	(3,484)	-
	4,212	5,165

2.6 Other current assets

	As at	
	31 March 2019	31 March 2018
Unsecured , considered good		
Advances other than capital advances		
Receivable for expenses- related parties (refer note 2.25)	80	22
Advances to employees	72	-
Others		
Prepaid expenses	63	91
Other receivables	12	5,920
	227	6,033
Unsecured , considered doubtful		
Advances other than capital advances		
Advances to employees	161	164
Less: Provision for doubtful advances	(161)	(164)
	-	-
	227	6,033

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2.7 Share Capital

	As at	
	31 March 2019	31 March 2018
Authorized		
2,000,000 (31 March 2018, 2,000,000) equity shares of ₹ 1 each	2,000	2,000
Issued, subscribed and fully paid up		
150,000 (31 March 2018, 150,000) equity shares ₹ 1 each	150	150

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of ₹ 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 March 2019		31 March 2018	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning	150,000	150	150,000	150
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	150,000	150	150,000	150

Out of equity shares issued by the Company, shares held by its holding company are as below:

	As at			
	31 March 2019		31 March 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class
HCL Global Processing Services Limited, the Holding Company, equity shares of ₹ 1 each fully paid up	150,000	100%	150,000	100%

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

Name of the shareholder	As at			
	31 March 2019		31 March 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ₹ 1 each fully paid				
HCL Global Processing Services Limited	150,000	100%	150,000	100%

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 and no shares brought back during the five years immediately preceding the reporting date.

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. The funding requirements are generally met through operating cash flows generated.

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Notes to financial statements for the year ended 31 March 2019

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

2.8 Provisions

	As at	
	31 March 2019	31 March 2018
Non - Current		
Provision for employee benefits		
Provision for gratuity	365	453
Provision for leave benefits	224	342
	589	**795**
Current		
Provision for employee benefits		
Provision for gratuity	1	26
Provision for leave benefits	75	187
	76	**213**

2.9 Borrowings

	As at	
	31 March 2019	31 March 2018
Short term borrowings		
Unsecured		
From related party (refer note 2.25)	4,942	11,342
	4,942	**11,342**

2.10 Trade payables

	As at	
	31 March 2019	31 March 2018
Trade payables	59	-
Trade payables-related parties (refer note 2.25)	65	-
	124	**-**

2.11 Other financial liabilities

	As at	
	31 March 2019	31 March 2018
Current		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	675	361
Other employee costs	654	1,030
Others		
Liabilities for expenses	150	658
Other payables-related party (refer note 2.25)	342	-
Interest accrued on borrowings-related party (refer note 2.25)	280	372
	2,101	**2,421**

2.12 Other current liabilities

	As at	
	31 March 2019	31 March 2018
Witholding and other taxes payable	340	1,662
	340	**1,662**

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2.13 Revenue from operations

	Year ended	
	31 March 2019	31 March 2018
Sale of services	16,879	29,898
	16,879	**29,898**

Disaggregate revenue information

The disaggregated revenue from contracts with the customers for the year ended 31 March 2019.

	Year ended 31 March 2019
Contract type	
Time and material	16,879
Total	**16,879**
Geography wise	
India	16,879
	16,879

Remaining performance obligations

As at 31 March 2019, the company does not have any amount of transaction price allocated to remaining performance obligation as per requirement of Ind AS 115 after the exclusion of below :

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

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

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

Contract balances

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

The Company does not have any contract assets as on 1 April 2018.

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Contract liablities : A contract liability arises when there is excess billing over the revenue recognized. The Company does not have any contract liablities as on 31 March 2019.

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

The Company does not have any deferred contract cost as at 31 March 2019

2.14 Other income

	Year ended	
	31 March 2019	31 March 2018
Provision no longer required written back (net)	93	2,253
Provision for doubtful debts written back (net)	1,083	10,951
Profit on sale of fixed assets	18	-
Provision for doubtful advances	-	132
Exchange differences (net)	-	35
	1,194	**13,371**

2.15 Employee benefits expense

	Year ended	
	31 March 2019	31 March 2018
Salaries, wages and bonus	12,729	19,934
Gratuity Expense	234	840
Contribution to provident fund and other employee funds	405	778
Staff welfare expenses	18	1
	13,386	**21,553**

2.16 Finance cost

	Year ended	
	31 March 2019	31 March 2018
Interest		
-others	639	1,989
Bank charges	3	51
	642	**2,040**

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2.17 Other expenses

	Year ended	
	31 March 2019	31 March 2018
Rent and hire charges	50	5,439
Power and fuel	38	533
Repairs and maintenance		
- Buildings	-	810
Communication costs	1	552
Travel and conveyance	635	-
Legal and professional charges	278	-
Provision for doubtful advances	3,481	-
Rates and taxes	220	49
Miscellaneous expenses	44	-
	4,747	**7,383**

2.18 Income taxes

	Year ended	
	31 March 2019	31 March 2018
Income tax charged to statement of profit and loss		
Current income tax charge	393	(1,258)
Deferred tax charge (credit)	1,471	3,864
	1,864	**2,606**
Income tax charged to other comprehensive income		
Expense (benefit) on re-measurements of defined benefit plans	(90)	(24)
	(90)	**(24)**

The reconciliation between the Company's provision for income tax and amount computed by applying the statutory income tax rate in India is as follows:

	Year ended	
	31 March 2019	31 March 2018
Profit before income tax	(702)	11,768
Statutory tax rate in India	26.0%	25.8%
Expected tax expense	(183)	3,030
Tax Expense/benefit recognised on taxable losses	-	-
Income tax refund (net of tax)	-	(934)
Tax on income taxed at a lower / higher rate	-	37
Tax of prior years	-	466
Unrecognized tax benefit	1,957	-
Others	90	7
Total taxes	**1,864**	**2,606**

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Concept2Silicon Systems Private Limited

Notes to financial statements for the year ended 31 March 2019

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

Components of deferred tax assets and liabilities as on 31 March 2019

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
MAT credit entitlement	420	393	-	813
Business losses	2,336	(2,336)	-	-
Provision for doubtful debts	1,158	624	-	1,781
Accrued employee costs	356	(114)	-	242
Others	80	(80)	-	-
Gross deferred tax assets (A)	**4,350**	**(1,513)**	**-**	**2,837**
Deferred tax liabilities				
Accrued employee costs	431	-	90	521
Depreciation and amortization	42	(42)	-	-
Gross deferred tax liabilities (B)	**473**	**(42)**	**90**	**521**
Net deferred tax assets (A-B)	**3,877**	**(1,471)**	**(90)**	**2,316**

Components of deferred tax assets and liabilities as on 31 March 2018

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
MAT credit entitlement	420	-	-	420
Business losses	863	1,473	-	2,336
Provision for doubtful debts	6,045	(4,887)	-	1,158
Accrued employee costs	892	(536)	-	356
Others	85	(5)	-	80
Gross deferred tax assets (A)	**8,305**	**(3,955)**	**-**	**4,350**
Deferred tax liabilities				
Accrued employee costs	407	-	24	431
Depreciation and amortization	133	(91)	-	42
Gross deferred tax liabilities (B)	**540**	**(91)**	**24**	**473**
Net deferred tax assets (A-B)	**7,765**	**(3,864)**	**(24)**	**3,877**

The amount of business loss primarily related to business loss of the Company not recognized with the year of expiry as follows:-

Year ending 31 March	Total
2018-19	-
2019-20	-
2020-21	-
2021-22	-
2022-23	-
Thereafter	1,957
Total	**1,957**

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2.19 Earnings per share

The computation of earnings per share is as follows:

	Year ended	
	31 March 2019	31 March 2018
Net Profit/(loss) as per statement of profit and loss	(2,566)	9,162
Weighted average number of equity shares outstanding	150,000	150,000
Dilutive effect	-	-
Weighted average number of equity shares outstanding	150,000	150,000
Nominal value of equity shares (in ₹)	1	1
Earnings per equity share (in ₹)		
- Basic	(17.11)	61.08
- Diluted	(17.11)	61.08

2.20 Operating lease

The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense relating to real estate recognised in the statement of profit and loss for the year is ₹ 50 thousand (Previous year ₹ 5,439 thousand) .

2.21 Operating segments

In the opinion of the management, software development services is the only business segment of the Company and hence there are no reportable segments as envisaged in Indian Accounting Standard (Ind AS)-108 'Segment Reporting'. Accordingly, no disclosures for segmental reporting have been included in the financial statements.

2.22 Financial instruments

(a) Financial assets and liabilities

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

	Amortized cost	Total carrying
Financial assets		
Trade receivables	-	-
Cash and cash equivalents	1,159	1,159
Other bank balances	-	-
Others (refer note 2.5)	4,212	4,212
Total	5,371	5,371
Financial liabilities		
Borrowings	4,942	4,942
Trade payables	124	124
Others (refer note 2.11)	2,101	2,101
Total	7,167	7,167

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2.22 Financial instruments (continued)

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

	Amortized cost	Total carrying value
Financial assets		
Trade receivables	10,873	10,873
Cash and cash equivalents	569	569
Others (refer note 2.5)	5,165	5,165
Total	16,607	16,607
Financial liabilities		
Borrowings	11,342	11,342
Trade payables	-	-
Others (refer note 2.11)	2,421	2,421
Total	13,764	13,764

(b)Financial risk management

The Company is exposed to credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company actively manage & mitigate these risks as and when required.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and unbilled revenue. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

The customers of the Company are primarily corporations based in India and accordingly, trade receivables are concentrated in India. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.

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

	As at	
	31 March 2019	31 March 2018
Balance at the beginning of the year	4,288	23,180
Provision written off/ additional provision during the year	(1,083)	(18,892)
Balance at the end of the year	3,205	4,288

Liquidity risk

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

2.23 Employee benefits

The Company has calculated the various benefits provided to employees as given below:

A. Defined contribution plans and state plans

Employer's contribution to Employee Pension Scheme

During the year the Company has recognized the following amounts in the statement of profit and loss :-

	Year ended	
	31 March 2019	31 March 2018
Employer's contribution to Employee's Pension Scheme	81	156
	81	**156**

B. Defined benefit plans

a) Gratuity

b) Employer's contribution to Provident Fund

Gratuity

The following table sets out the status of the gratuity plan :

Statement of profit and loss

	Year ended	
	31 March 2019	31 March 2018
Current Service cost	199	691
Interest cost	35	149
Net benefit expense	**234**	**840**

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2.23 Employee benefits (continued)

Balance Sheet

	As at	
	31 March 2019	31 March 2018
Defined benefit obligations	366	479
Fair value of plan assets	-	-
	366	479
Less: Unrecognized past service cost	-	-
Net plan liability	**366**	**479**
Current defined benefit obligations	1	26
Non-current defined benefit obligations	365	453

Changes in present value of the defined benefit obligations

	Year ended	
	31 March 2019	31 March 2018
Opening defined benefit obligations	479	673
Current service cost	199	691
Interest cost	35	149
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	-	6
Actuarial changes arising from changes in financial assumptions	9	(20)
Experience adjustments	(356)	(65)
Benefits paid	-	(955)
Closing defined benefit obligations	**366**	**479**

Changes in fair value of the plan assets are as follows:

	Year ended	
	31 March 2019	31 March 2018
Opening fair value of plan assets	-	-
Closing fair value of plan assets	-	-

	As at	
	31 March 2019	31 March 2018
Discount rate	7.15%	7.50%
Estimated Rate of salary increases	7.00%	7.00%
Employee Turnover	22.00%	22.00%
Expected rate of return on assets	NA	NA

The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

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2.23 Employee benefits (continued)

Discount rate and future salary escalation rate are the key actuarial assumptions to which the defined benefit obligations are particularly sensitive. The following table summarizes the impact on defined benefit obligations as at 31 March 2019 arising due to an increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate	Salary escalation rate
Impact of increase	(13)	14
Impact of decrease	14	(13)

The sensitivity analysis presented may not be representative of the actual change in the defined benefit obligations as sensitivities have been calculated to show the movement in defined benefit obligations in isolation and assuming there are no other changes in market conditions. There have been no changes from the previous years in the methods and assumptions used in preparing the sensitivity analysis.

The defined benefit obligations are expected to mature after 31 March 2019 as follows:

Year ending 31 March ,	Cash flows (₹ in thousands)
- 2020	1
- 2021	141
- 2022	115
- 2023	92
- 2024	99
- Thereafter	2,288

The weighted average duration of the payment of these cash flows is 7.47 years.

Employers Contribution to Provident Fund

The Company contributes to Hindustan Instruments Limited EPF Trust, which is maintained by ultimate holding company HCL Technologies Limited. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants. The actuary has accordingly provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 2019.

Assumptions used in determining in the present value obligation of the interest rate guarantee under the deterministic Approach.

	Year ended	
	31 March 2019	31 March 2018
Government of India (GOI) bond yield	7.20%	7.60%
Remaining term of maturity	8 years	8.51 years
Expected guaranteed interest rate	8.65%	8.55%

During the year ended 31 March 2019, the Company has contributed ₹ 324 thousand, (31 March 2018, ₹ 622 thousand) towards employer's contribution to the provident fund.

2.24 Payment to auditors

	Year ended	
	31 March 2019	31 March 2018
Statutory audit fee	110	110
Tax audit fee	50	50
	160	**160**

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Concept2Silicon Systems Private Limited
Notes to financial statements for the year ended 31 March 2019
(All amounts in thousands of ₹, except share data and as stated otherwise)

2.25 Related party transactions

a) List of related parties and relationship

HCL Global Processing Services Limited	Holding Company
HCL Technologies Limited	Ultimate Holding Company
HCL Comnet Limited	Fellow subsidiary

b) Transactions with related parties

	Ultimate Holding Company		Holding Company		Fellow subsidiaries		Total	
	Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2019	2018	2019	2018	2019	2018	2019	2018
Sale of services	17,980	22,636	-	-	-	-	17,980	22,636
Interest on short term borrowings	-	-	639	1,989	-	-	639	1,989
Sale of fixed assets	796	-	-	-	-	-	796	-
Payment for use of facilities	-	-	-	-	60	-	60	-

c) Outstanding balances with related parties

	Ultimate Holding Company		Holding Company		Fellow subsidiaries		Total	
	As at 31 March		As at 31 March		As at 31 March		As at 31 March	
	2019	2018	2019	2018	2019	2018	2019	2018
Trade receivables	-	9,809	-	-	-	-	-	9,809
Unbilled receivable (previous year: unbilled revenue)	3,273	1,681	-	-	-	-	3,273	1,681
Receivable for expenses	80	22	-	-	-	-	80	22
Borrowings	-	-	4,942	11,342	-	-	4,942	11,342
Trade payables	-	-	-	-	65	-	65	-
Other payables	340	-	-	-	2	-	342	-
Other receivables	939	-	-	-	-	-	939	-
Interest accrued on borrowings	-	-	280	372	-	-	280	372

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2.26 Micro Small and Medium Enterprises

As per information available with the management, the dues payable as at any time during the year ended March 31, 2019 to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" is ₹ Nil (previous year Nil).

This has been determined on the basis of responses received from vendors on specific confirmation sought by the Company in this regard.

2.27 Subsequent events

The Board of directors of the Company on 10 May 2019 has approved the merger of the Company "Concept2Silicon Systems Private Limited " with its ultimate holding company "HCL Technologies Limited" w.e.f. 1 April 2019, under the scheme of amalgamation as per the provisions of Section 230 to 232 of the Companies Act, 2013 (the "Act") and other applicable provisions, read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, including any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force), relevant provisions of the Memorandum and Articles of Association of the Company.

The scheme is subject to the approvals of the shareholders and other regulatory authorities.

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

For and on behalf of the Board of Directors
of Concept2Silicon Systems Private Limited

Prahlad Rai Bansal
Director

Subramanian Gopalakrishnan
Director

Noida (UP), India
Date: 19 June 2019