STATESTREET HCL SERVICES (INDIA) PRIVATE LIMITED

Financial Statements

Years ended 31 March 2020 and 2019

Statestreet HCL Services (India) Private Limited
Balance Sheet as at 31 March 2020
(All amounts in lakhs of ₹)

	Note No.	As at 31 March 2020	As at 31 March 2019
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	**2.1**	4,269	3,763
(b) Capital work in progress		24	403
(c) Right-of-use asset	**2.20**	13,831	-
(d) Goodwill	**2.2**	1,050	1,050
(e) Other intangible assets	**2.2**	2	3
(f) Financial assets			
(i) Others	**2.3**	1,156	593
(g) Deferred tax assets (net)	**2.18**	5,325	4,542
(h) Other non-current assets	**2.4**	10,674	1,149
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	**2.5**	7,306	8,332
(ii) Cash and cash equivalents	**2.6(a)**	7,216	2,903
(iii) Other bank balances	**2.6(b)**	12,812	18,797
(iv) Others	**2.3**	5,722	6,583
(b) Other current assets	**2.7**	3,525	627
TOTAL ASSETS		**72,912**	**48,745**
II. EQUITY			
(a) Equity share capital	**2.8**	3,937	3,937
(b) Other equity		46,558	39,576
TOTAL EQUITY		**50,495**	**43,513**
III. LIABILITIES			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Lease liabilities	**2.20**	12,701	-
(b) Provisions	**2.9**	1,270	492
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	**2.10**		
1. Dues of micro enterprises and small enterprises	**2.25**	-	2
2. Dues of creditors other than micro enterprises and small enterprises		1,448	1,147
(ii) Lease liabilities	**2.20**	1,671	-
(iii) Others	**2.11**	4,545	2,542
(b) Other current liabilities	**2.12**	318	233
(c) Provisions	**2.9**	279	149
(d) Current tax liabilities (net)		185	667
TOTAL EQUITY AND LIABILITIES		**72,912**	**48,745**
Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Rakesh Dewan
Rakesh Dewan (Jul 23, 2020 22:32 GMT+5.5)

Rakesh Dewan
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 23 July 2020

For and on behalf of the Board of Directors
of Statestreet HCL Services (India) Private Limited

PRBansal
PRBansal (Jul 23, 2020 17:50 GMT+5.5)

Prahlad Rai Bansal
Director

Aunoy Banerjee
Aunoy Banerjee (Jul 23, 2020 12:24 EDT)

Aunoy Banerjee
Director

s.singh
s.singh (Jul 23, 2020 17:29 GMT+5.5)

Shamsher Singh
Company Secretary

Place: Noida (UP), India
Date: 23 July 2020

Statestreet HCL Services (India) Private Limited
Statement of Profit and Loss for the year ended 31 March 2020
(All amounts in lakhs of ₹)

		Note No.	Year ended 31 March 2020	Year ended 31 March 2019
I	**Revenue**			
	Revenue from operations	**2.13**	47,974	37,149
	Other income	**2.14**	1,410	2,055
	Total income		**49,384**	**39,204**
II	**Expenses**			
	Employee benefits expense	**2.15**	23,967	13,919
	Finance costs	**2.16**	876	16
	Depreciation and amortization expense	**2.1 & 2.2**	3,327	1,064
	Outsourcing costs		4,655	2,840
	Other expenses	**2.17**	8,650	6,437
	Total expenses		**41,475**	**24,276**
III	**Profit before tax**		**7,909**	**14,928**
IV	**Tax expense**	**2.18**		
	Current tax		1,364	3,222
	Deferred tax charge (credit)		(737)	(852)
	Total tax expense		627	2,370
V	**Profit for the year**		**7,282**	**12,558**
VI	**Other comprehensive income**			
	(i) Items that will not be reclassified to statement of profit and loss		(346)	(50)
	(ii) Income tax on items that will not be reclassified to statement of profit and loss		46	9
VII	**Total other comprehensive income**		**(300)**	**(41)**
VIII	**Total comprehensive income for the year**		**6,982**	**12,517**
	Earnings per equity share of ₹ 10 each	**2.19**		
	Basic (in ₹)		18.50	31.90
	Diluted (in ₹)		18.50	31.90
	Summary of significant accounting policies	**1**		

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Statestreet HCL Services (India) Private Limited

Statement of Changes in Equity for the year ended 31 March 2020

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

	Equity share capital		Other Equity
	Number of shares	Share capital	Retained earnings
Balance as at 1 April 2018	**39,369,285**	**3,937**	**27,059**
Profit for the year	-	-	12,558
Other comprehensive income	-	-	(41)
Total comprehensive income for the year	**-**	**-**	**12,517**
Balance as at 31 March 2019	**39,369,285**	**3,937**	**39,576**
Balance as at 1 April 2019	**39,369,285**	**3,937**	**39,576**
Profit for the year	-	-	7,282
Other comprehensive income	-	-	(300)
Total comprehensive income for the year	**-**	**-**	**6,982**
Balance as at 31 March 2020	**39,369,285**	**3,937**	**46,558**

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

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Statestreet HCL Services (India) Private Limited
Statement of Cash flows for the year ended 31 March 2020

(All amounts in lakhs of ₹)

		Year ended 31 March 2020	Year ended 31 March 2019
A. Cash flows from operating activities			
Profit before tax		7,909	14,928
Adjustment for:			
Depreciation and amortization		3,327	1,064
Interest income		(876)	(1,740)
Interest expense		870	-
Provision for doubtful debts/ bad debts written off		(3)	3
Provision for doubtful advances		165	39
Operating profit before working capital changes		**11,392**	**14,294**
Movement in working capital			
(Increase) decrease in trade receivables		1,029	(5,304)
Decrease in other financial assets and other assets		(12,824)	(5,869)
Increase (decrease) in trade payables		298	(62)
Increase in provisions, other financial liabilities and other liabilities		3,608	574
Cash generated from operations		**3,503**	**3,633**
Direct taxes paid (net of refunds)		(2,012)	(2,153)
Net cash flow from operating activities	**(A)**	**1,491**	**1,480**
B. Cash flows from investing activities			
Investments in bank deposits		(25,906)	(20,096)
Proceeds from bank deposits on maturity		31,892	21,666
Purchase of property, plant and equipment and intangibles, including capital work in progress and capital advances		(1,476)	(2,138)
Interest received		884	1,667
Taxes paid		(271)	(583)
Net cash flow from investing activities	**(B)**	**5,123**	**516**
C. Cash flows from financing activities			
Payment of lease liabilities including interest		(2,301)	-
Net cash flow used in financing activities	**(C)**	**(2,301)**	**-**
Net increase in cash and cash equivalents (A+B+C)		4,313	1,996
Cash and cash equivalents at the beginning of the year		2,903	907
Cash and cash equivalents at the end of the year as per note 2.6 (a)		**7,216**	**2,903**

The accompanying notes are an integral part of the financial statements

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ORGANIZATION AND NATURE OF OPERATIONS

Statestreet HCL Services (India) Private Limited (hereinafter referred to as "the Company") is primarily engaged in delivering business process outsourcing services to its client from its financial services vertical. The Company was incorporated under the provisions of the Companies Act applicable in India on January 6, 2012, having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi- 110019. The immediate holding company is State Street HCL Holdings (UK) Limited.

The financial statements for the year ended 31 March 2020 were approved and authorized for issue by the Board of Directors on 23 July 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the company have been prepared in accordance with recognition and measurement principles laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules 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 following assets and liabilities which have been measured at fair value:

a) Certain financial assets and liabilities measured at fair value (refer to the accounting policy regarding financial instruments).

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The statement of cash flows has been prepared under indirect method.

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 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 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, right-of-use asset, impairment of goodwill, 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) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

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

(d) Foreign currency and translation

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 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.

(e) 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.

The guidance 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 an entity 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 method.

c) Cost approach – Replacement cost method.

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of non-financial assets such as goodwill and intangible assets. Goodwill and intangible assets recognized in business combinations 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.

(f) Revenue recognition

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

Business process outsourcing services
Revenue from business process outsourcing services is derived from both time based and unit-price 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.

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).

Revenues are shown net of taxes and applicable discounts and allowances, if any.

Interest income

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

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.

(g) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss. 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.

Deferred 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 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 tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the statement of profit and loss.

(h) 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.

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.

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

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	5
Computers	4-5
Furniture and fixtures	7

The useful lives as given above best represent the period over which 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 to the Companies Act 2013.

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

(i) 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.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

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

Asset description	Asset life (in years)
Software	3

(j) Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for a consideration.

Company as a lessee

Company is lessee in case of office space. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

Effective 1 April 2019, all leases with a term of more than 12 months are recognized as right-of-use assets alongwith associated lease liabilities, in the balance sheet.

Right-of-use asset represents the company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the company's incremental borrowing rate, which approximates the rate at which the company would borrow, in the country where the lease was executed. The company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the company exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the statement of profit and loss. For all asset classes, the company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.

The Company has adopted Ind AS 116, effective 1 April 2019 using the modified retrospective approach which involves recognizing new right-of-use assets and lease liabilities on its balance sheet. Comparative information has not been adjusted and continues to be reported under Ind AS 17. As a result of the Company's adoption of this new standard, all leases are recorded on the balance sheet. The company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The company has used a single discount rate to a portfolio of leases with reasonably similar characteristics. The company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract, and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Impact on financial statements

As a result of adoption of Ind AS 116, the company recognized additional lease liabilities of ₹ 5,220 lakhs and right-of-use assets of ₹ 4,837 lakhs as on 1 April 2019.

The weighted average incremental borrowing rate of 8.39% has been applied to lease liabilities recognized in the balance sheet at the date of initial application, in respect of leases classified as operating leases as per Ind AS 17.

The difference between future minimum lease rental commitments against non-cancellable operating leases reported as at 31 March 2019 and lease liability recognized as at 1 April 2019 is primarily due to exclusion of short term lease commitments for which the company has chosen to apply the practical expedient as per the standard.

The following table summarize the impact of the company's adoption of Ind AS 116 on its financial statements as of 1 April 2019

	As reported 31 March 2019	**Adoption of Ind AS 116**	**Balance as of 1 April 2019**
Prepaid expenses (including current and non-current portion) (note 1)	476	(204)	272
Other financial liabilities (current) - liabilities for expenses (note 2)	1,609	(588)	1,022
Right-of-use assets	-	4,837	4,837
Lease liability (including current and non-current portion)	-	5,220	5,220

Notes:
1. Prepaid amount of security deposit amounting to ₹ 204 lakhs, reclassified to right-of-use assets.

2. Includes lease equalization reserve of ₹ 588 lakhs adjusted with right-of-use assets.

(k) Impairment of non-financial assets

Goodwill

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

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

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) Retirement and other employee benefits

i. Provident fund: Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for each period of service rendered by the employees. The company has no obligation, other than the contribution payable to the provident fund.

ii. 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 lakhs 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.

   In respect to certain employees in India, the Company contributes towards gratuity liabilities to the Gratuity Fund Trust. Trustees of the Company administer contributions made to the Trust and contributions are invested in a scheme with Life Insurance Corporation of India as permitted by law.

iii. Compensated absences: 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 expected cost 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 statement of profit and loss in the year in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

iv. State Plans: The contribution to State Plans, a defined contribution plan namely Employee State Insurance Fund and Employees' Pension Scheme for the Company are charged to the statement of profit and loss as and when employees render related services.

(m) Financial Instruments

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

i. **Financial assets**

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

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash in banks 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 assets at amortized cost
A financial asset 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, loans, unbilled revenue, trade and other receivables.

Financial assets at Fair Value through Other Comprehensive Income (OCI)
A financial asset is classified and measured at fair value through OCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principal and interest.

Financial assets included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial asset at Fair Value through Profit and Loss
Any financial asset, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial instruments included in the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

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 payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables and other payables.

Financial liabilities at amortized cost

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.

(n) Earnings per share (EPS)

Basic 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 outstanding during the year.

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. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

(o) Provisions and contingent liabilities

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

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

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2020

(All amounts in lakhs 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 2020

	Plant and machinery	Office Equipment	Computers	Furniture and fittings	Total
Gross block as at 1 April 2019	1,614	534	4,177	2,316	8,641
Additions	493	233	921	181	1,828
Disposals	-	-	56	-	56
Gross block as at 31 March 2020	**2,107**	**767**	**5,042**	**2,497**	**10,413**
Accumulated depreciation as at 1 April 2019	944	309	2,474	1,145	4,872
Charge for the year	292	104	642	290	1,328
Deduction/other adjustments	-	-	56	-	56
Accumulated depreciation as at 31 March 2020	**1,236**	**413**	**3,060**	**1,435**	**6,144**
Net Block as at 31 March 2020	**871**	**354**	**1,982**	**1,062**	**4,269**

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

	Plant and machinery	Office Equipment	Computers	Furniture and fittings	Total
Gross block as at 1 April 2018	1,469	402	3,042	1,831	6,744
Additions	145	132	1,135	485	1,897
Disposals	-	-	-	-	-
Gross block as at 31 March 2019	**1,614**	**534**	**4,177**	**2,316**	**8,641**
Accumulated depreciation as at 1 April 2018	714	226	1,988	886	3,814
Charge for the year	230	83	492	259	1,064
Deduction/other adjustments	-	-	-	-	-
Accumulated depreciation as at 31 March 2019	**944**	**309**	**2,480**	**1,145**	**4,878**
Net block as at 31 March 2019	**670**	**225**	**1,697**	**1,171**	**3,763**

2.2 Goodwill and intangible assets

The changes in the carrying value for the year ended 31 March 2020

	Goodwill on acquisition of business	Software	Total
Gross block as at 1 April 2019	1,050	136	1,186
Additions	-	-	-
Disposals	-	-	-
Gross block as at 31 March 2020	**1,050**	**136**	**1,186**
Accumulated depreciation as at 1 April 2019	-	133	133
Charge for the year	-	1	1
Deduction/other adjustments	-	-	-
Accumulated depreciation as at 31 March 2020	**-**	**134**	**134**
Net Block as at 31 March 2020	**1,050**	**2**	**1,052**

2.2 Goodwill and intangible assets (continued)

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

	Goodwill on acquisition of business	Software	Total
Gross block as at 1 April 2018	1,050	133	1,183
Additions	-	3	3
Disposals	-	-	-
Gross block as at 31 March 2019	**1,050**	**136**	**1,186**
Accumulated depreciation as at 1 April 2018	-	133	133
Charge for the year	-	-	-
Deduction/other adjustments	-	-	-
Accumulated depreciation as at 31 March 2019	**-**	**133**	**133**
Net Block as at 31 March 2019	**1,050**	**3**	**1,053**

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGU) , which benefit from the synergies of the acquisition.

Goodwill is tested for impairment at least annually. Impairment is recognized, when the carrying amount of a cash generating units (CGU) including the goodwill, exceeds the estimated recoverable amount of the CGU. The estimated value-in-use of this CGU is based on the future cash flow forecasts for 5 years on the basis of certain assumptions which include revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirement. The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital". The key assumptions are as follows:

	As at	
	31 March 2020	**31 March 2019**
Growth rate (%)	2.00	2.00
Terminal growth rate (%)	2.00	2.00
Discount rate (%)	10.09	11.19

2.3 Other financial assets

	As at	
	31 March 2020	**31 March 2019**
Non - current		
Carried at amortized cost		
Bank deposits with more than 12 months maturity (refer note 1 below)	100	13
Security deposits	1,056	580
	1,156	**593**
Current		
Carried at amortized cost		
Unbilled receivables-related parties (refer note 2.23)	3,766	4,764
Interest receivable	219	227
Security deposits	256	95
Other receivables	1,481	1,497
	5,722	**6,583**

Note:-

1. Pledged with banks as security for guarantees ₹ 100 lakhs (31 March 2019: ₹ 13 lakhs)

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.4 Other non- current assets

	As at	
	31 March 2020	**31 March 2019**
Unsecured considered good unless otherwise stated		
Capital advances	1	2
Deferred contract cost-related party (refer note 2.13 and 2.23)	10,587	955
Prepaid expenses	86	192
	10,674	**1,149**

2.5 Trade receivables

	As at	
	31 March 2020	**31 March 2019**
Unsecured, considered good - related party (refer note 2.23)	7,306	8,332
Trade receivables which have been significant increase in credit risk	-	3
	7,306	**8,335**
Impaired allowance for bad and doubtful debts	-	(3)
	7,306	**8,332**

2.6 Cash and bank balances

	As at	
	31 March 2020	**31 March 2019**
(a) Cash and cash equivalent		
Balance with banks		
- in current accounts	216	403
- deposits with original maturity of less than 3 months	7,000	2,500
	7,216	**2,903**
(b) Other bank balances		
Deposits with remaining maturity up to 12 months (refer note below)	12,812	18,797
	20,028	**21,700**

Note : Pledged with banks as security for guarantees ₹ 513 lakhs (31 March 2019, ₹ 500 lakhs)

2.7 Other current assets

	As at	
	31 March 2020	**31 March 2019**
Unsecured , considered good		
Advances other than capital advances		
Security deposits	4	4
Advances to employees	76	27
Advances to suppliers	33	11
Others		
Prepaid expenses	429	284
Prepaid expenses - related parties (refer note 2.23)	-	9
Goods and service tax receivable	510	266
Deferred contract cost-related party (refer note 2.13 and 2.23)	2,463	-
Other receivables - related parties (refer note 2.23)	10	26
	3,525	**627**
Unsecured , considered doubtful		
Advances other than capital advances		
Advances to employees	242	77
Less: Provision for doubtful advances	(242)	(77)
	-	-
	3,525	**627**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.8 Share capital

	As at	
	31 March 2020	**31 March 2019**
Authorized 50,000,000 (31 March 2019: 50,000,000) equity shares of ₹ 10 each	5,000	5,000
Issued, subscribed and fully paid up 39,369,285 (31 March 2019: 39,369,285) equity shares of ₹ 10 each	3,937	3,937

Terms / rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. 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 financial year

	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning	39,369,285	3,937	39,369,285	3,937
Number of shares at the end	39,369,285	3,937	39,369,285	3,937

Shares held by holding company:

	As at	
	31 March 2020	**31 March 2019**
State Street HCL Holding (UK) Limited, the holding company 39,369,285 (31 March 2019 : 39,369,285) equity shares of ₹ 10 each	3,937	3,937

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

Name of the shareholder				
	31 March 2020		**31 March 2019**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ₹ 10 each fully paid State Street HCL Holding (UK) Limited, the holding company	39,369,285	100.00%	39,369,285	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.

HCL Technologies Limited (HCL) and State Street International Holdings (State Street) has formulated a joint venture where State Street has 51% equity interest and HCL has equity interest of 49% along with 100% dividend rights. The shareholders' agreement provides specific rights to the two shareholders. HCL through the operating committee controls the relevant activities Statestreet HCL Holdings (UK) Limited ("Statestreet UK") which is holding Company of Statestreet HCL Services India Private Limited ("Company"). HCL has exposure to returns through the 100% dividend rights of the Statestreet UK and has ability to influence that returns. Therefore, HCL is having control over the Company.

For the period of five years immediately preceding the date at which the Balance Sheet is prepared, there were no bonus shares issued, no share issued for consideration other than cash and no shares bought back during the year .

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

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.

2.9 Provisions

	As at	
	31 March 2020	**31 March 2019**
Non - Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.22)	787	326
Provision for leave benefits	483	166
	1,270	**492**
Current		
Provision for employee benefits		
Provision for gratuity (refer note 2.22)	115	81
Provision for leave benefits	164	68
	279	**149**

2.10 Trade payables

	As at	
	31 March 2020	**31 March 2019**
Trade payables	467	87
Trade payables-related parties (refer note 2.23)	981	1,062
	1,448	**1,149**

2.11 Other financial liabilities

	As at	
	31 March 2020	**31 March 2019**
Current		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	379	328
Other employee costs	735	442
Others		
Advances received from customers	1,170	-
Liabilities for expenses	1,680	1,609
Liabilities for expenses-related parties (refer note 2.23)	444	-
Capital accounts payables	137	163
	4,545	**2,542**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.12 Other current liabilities

	As at	
	31 March 2020	**31 March 2019**
Travel provision (net of advances)	142	105
Withholding and other taxes payable	176	128
	318	**233**

2.13 Revenue from operations

	Year ended	
	31 March 2020	**31 March 2019**
Sale of services	47,974	37,149
	47,974	**37,149**

Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers for the year ended 31 March 2020 and 31 March 2019.

	Year ended 31 March 2020	**Year ended 31 March 2019**
Contract type		
Time and material	47,974	37,149
	47,974	**37,149**
Geography wise		
America	23,452	26,210
Europe	24,522	10,863
Rest of world	-	76
	47,974	**37,149**

During the year ended 31 March 2020, 2 customers (31 March 2019, 2 customers) represented 100% revenue of the Company.

Remaining performance obligations

As at 31 March 2020, 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.

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

2.13 Revenue from operations (continued)

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

The below table discloses the significant movement in deferred contract cost :

	Year ended	
	31 March 2020	**31 March 2019**
Balance as at 1 April 2019	955	-
Additional cost capitalised during the year	14,303	955
Deduction on account of cost amortised during the year	(2,208)	-
Balance as at 31 March 2020	**13,050**	**955**

The company has evaluated the impact of COVID-19 resulting from termination/deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

2.14 Other income

	Year ended	
	31 March 2020	**31 March 2019**
Interest income		
- On other financial instruments carried at amortized cost	876	1,740
Exchange differences (net)	534	304
Miscellaneous income	-	11
	1,410	**2,055**

2.15 Employee benefits expense

	Year ended	
	31 March 2020	**31 March 2019**
Salaries, wages and bonus	22,567	13,167
Contribution to provident fund and other employee funds	1,145	621
Staff welfare expenses	255	131
	23,967	**13,919**

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.16 Finance cost

	Year ended	
	31 March 2020	**31 March 2019**
Bank charges	5	16
Interest		
-on the lease liability	781	-
-on direct taxes	90	-
	876	**16**

2.17 Other expenses

	Year ended	
	31 March 2020	**31 March 2019**
Rent (refer note 2.20)	530	1,298
Power and fuel	1,090	991
Insurance	9	13
Repairs and maintenance		
- Plant and machinery	216	210
- Buildings	744	360
- Others	936	540
Communication costs	1,156	252
Travel and conveyance	2,989	2,204
Legal and professional charges	48	63
Software license fee	-	8
Rates and taxes	5	11
CSR expenditure (refer note 2.27)	229	159
Provision for doubtful debts/ bad debts written off	(3)	3
Miscellaneous expenses	701	325
	8,650	**6,437**

2.18 Income taxes

	Year ended	
	31 March 2020	**31 March 2019**
Income tax charged to statement of profit and loss		
Current income tax charge	1,364	3,222
Deferred tax charge (credit)	(737)	(852)
	627	**2,370**
Income tax charged to other comprehensive income		
Expense (benefit) on re-measurements of defined benefit plans	(46)	(9)
	(46)	**(9)**

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 2020	**31 March 2019**
Profit before income tax	7,909	14,928
Statutory tax rate in India	29.12%	34.94%
Expected tax expense	**2,303**	**5,216**
Non-taxable export income	(1,836)	(2,320)
Non-taxable other income	-	(148)
Additional provision created in books	84	-
Reversal of Prior Year Provision	-	(261)
Permanent differences	34	28
Deduction u/s 80JJAA	(111)	(136)
Others	153	(9)
Total taxes	**627**	**2,370**
Effective income tax rate	7.93%	15.87%

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

2.18 Income taxes (Continued)

In India, the company has benefited from certain tax incentives that the Government of India has provided for the units situated in Special Economic Zones (SEZs) under the Special Economic Zone Act, 2005, which began providing services on or after 1 April 2005. The eligible units are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50% of such profits and gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions. The aforesaid tax benefits will not be available to units commencing operations on or after 30 June 2020.

The Company and its subsidiaries in India are subject to Minimum Alternate Tax (MAT) on its book profits, which gives rise to future economic benefits in the form of adjustment of future income tax liability. MAT paid for a year can be set-off against the normal tax liability within fifteen subsequent years, expiring between the years 2023 to 2035.

Beginning with current year, corporate taxpayers can opt for a specified lower tax rate in lieu of current applicable tax rate subject to taxpayers not claiming any specified tax incentives including tax incentives available to special economic zone
The Company has an ongoing litigation with tax authorities that arises in the ordinary course of business. The possibility of any outflow in settlement of litigation is remote.

Components of deferred tax assets and liabilities as on 31 March 2020

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
Deferred tax assets				
Business losses	-			
MAT credit entitlement	4,119	623	-	4,742
Accrued employee costs	141	52	46	239
Depreciation and amortization	104	(19)	-	85
Rent SLM	134	34	-	168
Others	44	47	-	91
Total	**4,542**	**737**	**46**	**5,325**

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	3,391	728	-	4,119
Accrued employee costs	120	12	9	141
Depreciation and amortization	45	59	-	104
Rent SLM	98	36	-	134
Others	27	17	-	44
Total	**3,681**	**852**	**9**	**4,542**

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

2.19 Earnings per share

The computation of earnings per share is as follows:

	Year ended	
	31 March 2020	**31 March 2019**
Net profit as per statement of profit and loss for computation of EPS	7,282	12,558
Weighted average number of equity shares outstanding in calculating Basic EPS and Diluted EPS	39,369,285	39,369,285
Nominal value of equity shares (in ₹)	10	10
Earnings per equity share (in ₹)		
- Basic	18.50	31.90
- Diluted	18.50	31.90

2.20 Leases

(a) Company as a lessee

The company's significant leasing arrangements are in respect of leases for office spaces.

The details of the right-of-use asset held by the company is as follows:

	Building
Balance as at 1 April 2019	**-**
Transition impact of Ind AS 116 (refer note 1(j))	4,837
Depreciation charge for the year	(1,998)
Additions	10,992
Balance as at 31 March 2020	**13,831**

The reconciliation of lease liabilities is as follows:

	Total
Balance as at 1 April 2019	**-**
Transition impact of Ind AS 116 (refer note 1(j))	5,220
Additions	10,672
Amounts recognized in statement of profit and loss as interest expense	781
Payment of lease liabilities	(2,301)
Balance as at 31 March 2020	**14,372**

The lease rental expense relating to short-term leases recognized in the statement of profit and loss for the year amounted to ₹ 530 lakhs.

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

2.20 Leases (continued)

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 March 2020:

	As at 31 March 2020
Within one year	2,800
One to two years	2,863
Two to three years	3,001
Three to five years	4,178
Thereafter	6,722
Total lease payments	**19,564**
Imputed interest	5,192
Total lease liabilities	**14,372**

Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Most of the leases entered by the company are long term in nature and the underlying leased properties are being used as offices. The company doesn't foresee any major changes in lease terms or the leases in the foreseeable future as per current business projections after considering the impact of COVID - 19.

During the previous year ended 31 March 2019, the aggregate lease rental expense recognized in the statement of profit and loss as per Ind AS 17 amounted to ₹ 1,298 lakhs and the lease equalization amount for non-cancellable operating lease payable in future years and accounted for by the Company was ₹ 588 lakhs.

Future minimum lease payments and the payment profile of non-cancellable operating leases as per Ind AS 17 as on 31 March 2019 are as follows:

	Total
Not later than one year	2,468
Later than one year and not later than 5 years	7,348
Later than five years	2,705
	12,521

2.21 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March 2020 is as follows:

	Amortized cost	Total carrying value
Financial assets		
Trade receivables	7,306	7,306
Cash and cash equivalents	7,216	7,216
Other bank balances	12,812	12,812
Others (refer note 2.3)	6,878	6,878
Total	**34,212**	**34,212**
Financial liabilities		
Lease liabilities	14,372	14,372
Trade payables	1,448	1,448
Others (refer note 2.11)	4,545	4,545
Total	**20,364**	**20,364**

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

	Amortized cost	Total carrying value
Financial assets		
Trade receivables	8,332	8,332
Cash and cash equivalents	2,903	2,903
Other bank balances	18,797	18,797
Others (refer note 2.3)	7,176	7,176
Total	**37,208**	**37,208**
Financial liabilities		
Lease liabilities	-	-
Trade payables	1,149	1,149
Others (refer note 2.11)	2,542	2,542
Total	**3,691**	**3,691**

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

2.21 Financial instruments (continued)

The Company assessed that fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company through various risk management procedures manages and mitigate this risk.

The Company's risk management procedures aim 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. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. A significant portion of the Company revenue is in US Dollar while a large portion of costs are in Indian rupees. The fluctuation in exchange rates in respect to the Indian rupee may have potential impact on the statement of profit and loss and other comprehensive income 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 ₹ 147 lakhs or the year ended 31 March 2020.

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

Non-derivative foreign currency exposure as of 31 March, 2020 and 31 March 2019 in major currency is as below:

	Net financial assets		Net financial liabilities	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
USD / INR	17,515	11,295	2,847	213

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 the United States of America and Europe and accordingly, trade receivables is concentrated in the respective countries. 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.

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

2.21 Financial instruments (continued)

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

	As at	
	31 March 2020	31 March 2019
Balance at the beginning of the year	3	-
Additional provision during the year	-	3
Deductions on account of write offs and collections	3	-
Balance at the end of the year	-	3

Trade receivables and unbilled receivables have been valued after making reserve for allowances based on the expected credit loss method, considering factors like ageing, likelihood of increased credit risk and expected realizability, considering impact of COVID – 19 impact .

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

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

	Year 1 (Current)	Year 2	Year 3	Year 4-5 & there after	Total
As at 31 March 2020					
Trade payables	1,448	-	-	-	1,448
Lease liabilities	2,800	2,863	3,001	10,901	19,564
Other financial liabilities	4,545				4,545
Total	**8,793**	**2,863**	**3,001**	**10,901**	**25,557**
As at 31 March 2019					
Trade payables	1,149	-	-	-	1,149
Other financial liabilities	2,542	-	-	-	2,542
Total	**3,691**	**-**	**-**	**-**	**3,691**

2.22 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 Employees State Insurance
Employer's contribution to Employees Provident Fund
Employer's contribution to Employee Pension Scheme

During the year, the Company has recognized the following amounts in the statement of

	Year ended	
	31 March 2020	31 March 2019
Employer's contribution to Employees State Insurance	167	188
Employer's contribution to Employees Provident Fund	394	183
Employer's contribution to Employee's Pension Scheme	584	249
Total	**1,145**	**620**

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

2.22 Employee benefits (continued)

B. Defined benefit plans

Gratuity

Statement of profit and loss

	Year ended	
	31 March 2020	**31 March 2019**
Current Service cost	166	94
Past service cost	-	5
Interest cost (net)	25	17
Net benefit expense	**191**	**116**

Balance Sheet

	As at	
	31 March 2020	**31 March 2019**
Defined benefit obligations	903	407
Fair value of plan assets	-	-
	903	407
Less: Unrecognized past service cost	-	-
Net plan liability	**903**	**407**
Current defined benefit obligations	115	81
Non-current defined benefit obligations	788	326

Changes in present value of the defined benefit obligations are as follows:

	Year ended	
	31 March 2020	**31 March 2019**
Opening defined benefit obligations	407	263
Current service cost	166	94
Past service cost	-	5
Interest cost	25	17
Re-measurement gains (losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	18	3
Actuarial changes arising from changes in financial assumptions	95	5
Experience adjustments	233	43
Benefits paid	(41)	(23)
Closing defined benefit obligations	**903**	**407**

The actuarial assumptions used in determining gratuity for the Company's plan are shown below:-

	As at	
	31 March 2020	**31 March 2019**
Discount rate	6.15%	6.85%
Estimated Rate of salary increases	8.00%	7.00%
Employee Turnover	20.00%	22.00%
Expected rate of return on assets	N.A.	N.A.

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.

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 2020 arising due to an increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate	**Salary escalation rate**
Impact of increase	(3)	3
Impact of decrease	4	(3)

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

2.22 Employee benefits (continued)

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 2020 as follows:

Year ending 31 March ,	Cash flows
- 2021	119
- 2022	150
- 2023	210
- 2024	325
- 2025	394
- Thereafter	7,523

The weighted average duration of the payment of these cash flows is 6.90 years.

2.23 Related party disclosures

a) Controlling entity

HCL Technologies Limited ("HCL") and State Street International Holdings ("State Street") has formulated a joint venture where State Street has 51% equity interest and HCL has equity interest of 49% along with 100% dividend rights. The shareholders' agreement provides specific rights to the two shareholders. HCL through the operating committee controls the relevant activities of the Statestreet HCL Holdings (UK) Limited ("Statestreet UK") which is holding Company of Statestreet HCL Services India Private Limited ("Company"). HCL has exposure to returns through the 100% dividend rights of the Statestreet UK and has ability to influence that returns. Therefore, HCL is having control over the Company.

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

Controlling entity	HCL Technologies Limited
Fellow subsidiaries	HCL Investment (UK) Limited
Other (significant influence)	State Street Bank and Trust Company

c) Transactions with related parties during the year in the ordinary course of business:

	Controlling entity		Fellow subsidiary		Significant influence	
	Year ended		Year ended		Year ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Revenue from operations	-	-	24,522	10,088	23,452	27,061
Other expenses (refer below note)	4,598	3,377	-	7	-	-

Note: Other expenses include outsourcing costs,salary cost, insurance cost , power & fuel and repair & maintenance.

d) Outstanding balances with related parties

Outstanding balances	Controlling entity		Fellow subsidiary		Significant influence	
	As at		As at		As at	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade receivables	-	-	4,633	6,433	2,673	1,899
Unbilled receivables	-	-	1,219	3,569	2,547	1,195
Deferred contract cost	-	-	-	-	13,050	-
Prepaid expenses	-	9	-	-	-	-
Other receivables	10	26	-	-	-	-
Trade payables	981	1,062	-	-	-	-
Purchase of capital equipments	-	-	-	-	-	6
Liabilities for expense	444	-	-	-	-	-

Statestreet HCL Services (India) Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.23 Related party disclosures (continued.)

	Year ended	
Material related party transactions	**31 March 2020**	**31 March 2019**
Revenue from operations		
HCL Investment (UK) Limited	24,522	10,088

	As at	
Material related party balances	**31 March 2020**	**31 March 2019**
Unbilled receivables		
HCL Investment (UK) Limited	1,219	3,569

2.24 Commitments

	As at	
	31 March 2020	**31 March 2019**
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	7	45
	7	**45**

2.25 Micro, Small and Medium Enterprises

As per information available with the management, the dues payable to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" are as follows:

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Principal	**Interest**	**Principal**	**Interest**
Amount due to vendors	-	-	2	-
Principal amount paid beyond the appointed date	-	-	-	-
Interest under normal credit terms -				
Accrued and unpaid during the year	-	-	-	-
Total interest payable -				
Accrued and unpaid during the year	-	-	-	-

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

2.26 Auditor's remuneration

	Year ended	
	31 March 2020	**31 March 2019**
Audit fees	2	2
Tax audit fees	1	1
	3	**3**

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

2.27 Corporate social responsibility

As required by the Companies Act, 2013, the gross amount required to be spent by the Company on CSR activities is ₹ 229 lakhs (31 March 2019, ₹ 159 lakhs) and the amount spent is ₹ 229 lakhs (31 March 2019, ₹ 159 lakhs).

2.28 Segment reporting

In the opinion of management company has only one business segment hence there are no reportable segments as envisaged in Ind AS 108 'Operating Segments' notified under section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules 2014.

Revenue disagreegation as per geography is given in note 2.13.

2.29 Subsequent events

The Company has evaluated all the subsequent events through 23 July 2020, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Rakesh Dewan
Rakesh Dewan (Jul 23, 2020 22:32 GMT+5.5)

Rakesh Dewan
per
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 23 July 2020

For and on behalf of the Board of Directors
of Statestreet HCL Services (India) Private Limited

PRBansal
PRBansal (Jul 23, 2020 17:50 GMT+5.5)

Prahlad Rai Bansal
Director

Aunoy Banerjee
Aunoy Banerjee (Jul 23, 2020 12:24 EDT)

Aunoy Banerjee
Director

S.Singh
s.singh (Jul 23, 2020 17:29 GMT+5.5)

Shamsher Singh
Company Secretary

Place: Noida (UP), India
Date: 23 July 2020