HCL Training & Staffing Services Private Limited

FINANCIAL STATEMENT

For the year ended 31 March 2020 and 2019

HCL Training & Staffing Services Private Limited

Balance Sheet as at 31 March 2020

(All amounts in thousands 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**	30,588	32,619
(b) Capital work in progress		253	-
(c) Right-of-use assets	**2.22**	696	-
(d) Goodwill	**2.2**	-	16,000
(e) Other intangible assets	**2.2**	3,268	6,279
(d) Financial assets			
(i) Others	**2.3**	135	135
(e) Deferred tax assets(net)	**2.21**	-	21,714
(f) Other non current assets	**2.4**	1,346	767
(2) Current assets			
(a) Financial assets			
(i) Investments	**2.5**	101,036	283,408
(ii) Trade receivables	**2.6**	2,458	9,080
(iii) Cash and cash equivalents	**2.7**	16,414	3,004
(iv) Others	**2.3**	30,281	23,106
(b) Current tax asset (net)		17,379	25,488
(c) Other current assets	**2.8**	46,622	38,384
TOTAL ASSETS		**250,476**	**459,984**
II. EQUITY			
(a) Equity share capital	**2.9**	17,513	17,513
(b) Other equity		(62,913)	249,108
TOTAL EQUITY		**(45,400)**	**266,621**
III. LIABILITIES			
(1) Non - current liabilities			
(a) Financial Liabilities			
(i) Borrowings	**2.10**	269	307
(ii)Lease liabilities	**2.22**	213	-
(b) Provisions	**2.11**	5,255	3,603
(c) Other non current liablities	**2.12**	465	281
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	**2.13**		
1. Dues of micro enterprises and small enterprises	**2.31**	28	926
2. Dues of creditors other than micro enterprises and small enterprises		43,517	30,681
(ii) Lease liabilities	**2.22**	512	-
(iii) Others	**2.14**	93,106	57,363
(b) Provisions	**2.11**	1,734	578
(c) Other current liabilities	**2.15**	150,777	99,624
TOTAL EQUITY AND LIABILITIES		**250,476**	**459,984**
Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.08.04 22:55:38 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 04 August 2020

For and on behalf of the Board of Directors
of HCL Training & Staffing Services Private Limited

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Subramanian Gopalakrishnan
Director

Goutam Rungta
Director

Place: Noida (UP), India
Date: 04 August 2020

HCL Training & Staffing Services Private Limited

Statement of Profit and Loss for the year ended 31 March 2020

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

		Note No.	Year ended 31 March 2020	Year ended 31 March 2019
I	**Revenue**			
	Revenue from operations	**2.16**	437,082	376,919
	Other income	**2.17**	22,627	26,053
	Total income		**459,709**	**402,972**
II	**Expenses**			
	Employee benefits expense	**2.18**	132,347	104,177
	Finance costs	**2.19**	1,459	24
	Depreciation, amortization and impairment expense		67,362	15,895
	Other expenses	**2.20**	548,267	380,756
	Total expenses		**749,435**	**500,852**
III	**Loss before tax**		**(289,726)**	**(97,880)**
IV	**Tax expense**	**2.21**		
	Current tax		-	-
	Tax related to prior period		-	(1,851)
	Deferred tax charge (credit)		21,910	(22,883)
	Total tax expense		21,910	(24,734)
V	**Loss for the year**		**(311,636)**	**(73,146)**
VI	**Other comprehensive income**			
	i) Items that will not be reclassified to statement of profit and loss		(581)	(275)
	ii) Income tax on items that will not be reclassified to statement of profit and loss		196	113
VII	**Total other comprehensive loss**		**(385)**	**(162)**
VIII	**Total comprehensive loss for the year**		**(312,021)**	**(73,308)**
	Earnings per equity share of ₹ 10 each	**2.29**		
	Basic (in ₹)		(177.95)	(41.77)
	Diluted (in ₹)		(177.95)	(41.77)
	Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

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For and on behalf of the Board of Directors
of HCL Training & Staffing Services Private Limited

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Goutam Rungta
Director

Place: Noida (UP), India
Date: 04 August 2020

HCL Training & Staffing Services Private Limited

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

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

Statement of changes in equity

	Equity share capital		Other equity
	Number of Shares	Share capital	Reserves and Surplus Retained earnings
Balance as at 1 April 2018	**1,751,301**	**17,513**	**322,416**
Loss for the year	-	-	(73,146)
Other comprehensive loss	-	-	(162)
Total comprehensive loss for the year	**-**	**-**	**(73,308)**
Balance as at 31 March 2019	**1,751,301**	**17,513**	**249,108**
Loss for the year	-	-	(311,636)
Other comprehensive loss	-	-	(385)
Total comprehensive loss for the year	**-**	**-**	**(312,021)**
Balance as at 31 March 2020	**1,751,301**	**17,513**	**(62,913)**

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP
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Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 04 August 2020

For and on behalf of the Board of Directors
of HCL Training & Staffing Services Private Limited

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Goutam Rungta
Director

Place: Noida (UP), India
Date: 04 August 2020

HCL Training & Staffing Services Private Limited
Statement of Cash flows for the year ended 31 March 2020

(All amounts in thousands of ₹)

	Year ended 31 March 2020	Year ended 31 March 2019
A. Cash flows from operating activities		
Loss before tax	(289,726)	(97,880)
Adjustment for:		
Depreciation, amortization and impairment of goodwill	67,362	15,895
Income on investments carried at fair value through profit and loss	(16,206)	(23,337)
Interest expense	1,394	17
Loss on disposal of property, plant and equipment (net)	-	34
Other non-cash charges (net)	622	1,019
Operating profit before working capital changes	**(236,554)**	**(104,252)**
Movement in Working Capital		
Decrease in trade receivables	6,622	2,398
(Increase)/Decrease in other financial assets and other assets	(18,790)	1,341
Increase/(Decrease) in trade payables	11,939	(2,323)
Increase in provisions, other financial liabilities and other liabilities	87,067	32,411
Cash used in operations	**(149,716)**	**(70,425)**
Direct taxes paid (net of refunds)	8,109	(8,918)
Net cash flow used in operating activities (A)	**(141,607)**	**(79,343)**
B. Cash flows from investing activities		
Purchase of investments in securities	(1,519,900)	(952,900)
Proceeds from sale of investments in securities	1,718,479	1,046,772
Purchase of property, plant and equipment and intangibles, including capital work in progress, capital advances and capital account payable	(8,306)	(16,600)
Net cash flow from investing activities (B)	**190,273**	**77,272**
C. Cash flows from financing activities		
Proceeds from long term borrowings	394	552
Repayment of long term borrowings	(286)	(70)
Interest paid	(95)	(17)
Payment of lease liabilities including interest	(35,269)	-
Net cash flow from/(used in) financing activities (C)	**(35,256)**	**465**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	13,410	(1,606)
Cash and cash equivalents at the beginning of the year	3,004	4,610
Cash and cash equivalents at the end of the year as per note 2.7	**16,414**	**3,004**
Refer note 1 for summary of significant accounting policies		

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

ANURAG KUMAR MAHESHWARY
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Date: 2020.08.04 22:59:08 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 04 August 2020

For and on behalf of the Board of Directors
of HCL Training & Staffing Services Private Limited

SUBRAMANIAN GOPALAKRISHNAN
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Subramanian Gopalakrishnan
Director

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Date: 2020.08.04 22:45:59 +05'30'

Goutam Rungta
Director

Place: Noida (UP), India
Date: 04 August 2020

ORGANIZATION AND NATURE OF OPERATIONS

HCL Training & Staffing Services Private Limited (hereinafter referred to as "the Company") is primarily engaged in the business of setting up, establishing, maintaining, managing and running technical institutions, training centers for imparting technical training & education, upgradation of knowledge, skill, proficiency, adeptness for engineers, other technical personnel and staff members of the Company as may be useful or valuable to or in respect of any business or commercial environment and to carry on recruitment & placement, provide skilled or technical man power services or staffing to other business or commercial entities in India or elsewhere including execution of job work enabling them to achieve their business objectives or goals. The Company was incorporated under the provisions of the Companies Act applicable in India on 15 June 2015, having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi- 110019.

The financial statements for the year ended 31 March 2020 were approved and authorized for issue by the Board of Directors on 04 August 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 certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

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

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.

The Company has incurred losses in the current and previous years which have resulted in erosion of net worth of the Company as at the balance sheet date. However, management believes that the Company, based on its business plans and HCL Technologies Limited, the ultimate holding company's commitment to provide financial and operational support for a period of not less than 12 months from the date of the financial statements, would be able to continue its business operations and meet its liquidity requirements for the foreseeable future. Accordingly, no adjustments would be required in respect of the carrying value of assets or liabilities and these financial statements have been prepared on a going concern basis.

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.

(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) and contingent liabilities 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 allowance for uncollectible accounts receivables, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment, intangible assets, 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 assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

(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/loss for the year in which the transaction is settled. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currency 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 Company holds certain fixed income securities, other securities which must be measured using the guidance for fair value hierarchy and related valuation methodologies. 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

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. A contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Revenue for the company comprises of fee from the candidates/ third parties for rendering training services.

Training Revenue
- Fee for seat reservation and registration, which is collectible during initial phase of the training period, is recognized over the period of training services.
- Fee for training services is accrued and recognized over the period of training. The revenue is recognised from the date of start of the training services.

Other Income:
Hostel fees is recovered from students for use of hostel facilities and is recognized over the period of use of such facilities by the students.

Excess of amount received from students over revenue recognized is classified as Contract liabilities and subsequently recognized over the balance period of the training.

Revenue is recognized net of discounts and allowances, goods and service tax.

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.

(g) 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 may reverse 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 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.

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 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)	10
Office equipment	5
Computers	4-5
Furniture and fixtures	7
Vehicles	5

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.

(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) 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 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 includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(k) 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 consideration.

Company as a lessee

Company is lessee in case of office space and accommodation for its employees and hostels. 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 along-with 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 re-measurement 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 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 re-measuring 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.

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. Company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. Company has used a single discount rate to a portfolio of leases with reasonably similar characteristics. 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, Company recognized additional lease liabilities of ₹ 34,695 thousand and rights-of-use assets of ₹ 36,871 thousand as on 1 April 2019.

The weighted average incremental borrowing rate of 8.06% 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 company has chosen to apply the practical expedient as per the standard.

The following table summarize the impact of 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)	17,012	(2,176)	14,836
Right-of-use assets	-	36,871	36,871
Lease liability (including current and non-current portion)	-	34,695	34,695

1. Includes prepaid amount of security deposits amounting to ₹2,176 thousands reclassified to right-of-use assets.

(l) 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.

(m) 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.

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

(n) Retirement and other employee benefits

i. Provident fund: Contribution towards Provident Fund for employees is made to the regulatory authorities. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

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 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.

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.

(o) Financial Instruments

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

i. **Financial assets**

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

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash in banks which are subject to an insignificant risk of change 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 asset 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 assets 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 loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade payables 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.

(p) 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.

HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

(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 2020

	Plant and equipment	Office equipment	Computers	Furniture and fittings	Vehicles#	Total
Gross block as at 1 April 2019	2,769	6,575	49,235	1,016	834	**60,429**
Additions	579	300	8,113	522	577	**10,091**
Disposals	-	-	579	-	-	**579**
Gross block as at 31 March 2020	**3,348**	**6,875**	**56,769**	**1,538**	**1,411**	**69,941**
Accumulated depreciation as at 1 April 2019	1,025	3,717	22,487	518	63	**27,810**
Charge for the year	501	1,298	9,872	181	270	**12,122**
Deduction/other adjustments	-	-	579	-	-	**579**
Accumulated depreciation as at 31 March 2020	**1,526**	**5,015**	**31,780**	**699**	**333**	**39,353**
Net block as at 31 March 2020	**1,822**	**1,860**	**24,989**	**839**	**1,078**	**30,588**

#Also refer footnote of note 2.10

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

	Plant and equipment	Office equipment	Computers	Furniture and fittings	Vehicles#	Total
Gross block as at 1 April 2018	2,364	6,340	38,952	970	-	**48,626**
Additions	405	235	10,328	46	834	**11,848**
Disposals	-	-	45	-	-	**45**
Gross block as at 31 March 2019	**2,769**	**6,575**	**49,235**	**1,016**	**834**	**60,429**
Accumulated depreciation as at 1 April 2018	554	2,433	13,159	359	-	**16,505**
Charge for the year	471	1,284	9,339	159	63	**11,316**
Deduction/other adjustments	-	-	11	-	-	**11**
Accumulated depreciation as at 31 March 2018	**1,025**	**3,717**	**22,487**	**518**	**63**	**27,810**
Net block as at 31 March 2019	**1,744**	**2,858**	**26,748**	**498**	**771**	**32,619**
Net block as on 1 April 2018	**1,810**	**3,907**	**25,793**	**611**	**-**	**32,121**

#Also refer footnote of note 2.10

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

2.2 Goodwill & other intangible assets

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

	Goodwill	Software	Total
Gross block as at 1 April 2019	16,000	15,300	**31,300**
Additions	-	54	**54**
Gross block as at 31 March 2020	**16,000**	**15,355**	**31,355**
Accumulated amortisation as at 1 April 2019	-	9,021	**9,021**
Charge for the year	-	3,065	**3,065**
Impairment	16,000	-	**16,000**
Accumulated amortisation as at 31 March 2020	**16,000**	**12,087**	**28,087**
Net block as at 31 March 2020	**-**	**3,268**	**3,268**
Estimated remaining useful life (in years)		**3**	

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

	Goodwill	Software	Total
Gross block as at 1 April 2018	16,000	8,286	**24,286**
Additions	-	7,014	**7,014**
Gross block as at 31 March 2019	**16,000**	**15,300**	**31,300**
Accumulated amortisation as at 1 April 2018	-	4,441	**4,441**
Charge for the year	-	4,580	**4,580**
Accumulated amortisation as at 31 March 2019	**-**	**9,021**	**9,021**
Net block as at 31 March 2019	**16,000**	**6,279**	**22,279**
Estimated remaining useful life (in years)		**3**	

For the purpose of impairment testing, goodwill is allocated to a CGU representing the lowest level within the Company at which goodwill is monitored for internal management purposes, and which is not higher than the Company's operating segment.
Based on the above, the Company evaluated that the CGU to which goodwill is allocated has incurred significant losses in the current year and in the previous period.
Based on the future projections of the Company, the carrying amount of the CGU was determined to be higher than its recoverable amount, accordingly, an impairment loss of ₹16,000 was recognised. The impairment loss was fully allocated to goodwill.
The recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the asset. The discount rate taken for determining the value in use is 12.33% which is based on the Weighted Average Cost of Capital (WACC) of a comparable market participant, which is adjusted for specific risks.

The company tests intangible assets for impairment when there is an indication for impairment. The comapany 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.

2.3 Financial assets - others

	As at	
	31 March 2020	**31 March 2019**
Non - current		
Carried at amortized cost		
Security deposits	135	135
	135	135
Current		
Carried at amortized cost		
Security deposits	60	60
Security deposits- related party (refer note 2.23)	30,221	23,046
	30,281	**23,106**

HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands 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		
Capital advances	200	-
Others		
Prepaid expenses	1,146	767
	1,346	**767**

2.5 Investments

	As at	
	31 March 2020	**31 March 2019**
Financial assets		
Current		
Unquoted investment		
Carried at fair value through profit and loss		
Investment in mutual funds	101,036	283,408
Aggregate amount of current investments	**101,036**	**283,408**

2.6 Trade receivables

	As at	
	31 March 2020	**31 March 2019**
Unsecured, considered good (refer note below)	2,464	9,080
	2,464	**9,080**
Impairment allowance for bad and doubtful debts	(6)	-
	2,458	**9,080**

Note:-
1. Includes receivables from related parties amounting to ₹ 2,443 (31 March 2019 ₹ 8,599).

2.7 Cash and bank balances

	As at	
	31 March 2020	**31 March 2019**
Cash and cash equivalents		
Balance with banks		
- in current accounts	16,414	3,004
	16,414	**3,004**

2.8 Other current assets

	As at	
	31 March 2020	**31 March 2019**
Unsecured, considered good		
Advances other than capital advances		
Security deposits	-	73
Advances to employees	49	49
Advances to suppliers	2,057	1,212
Other receivables - related parties (refer note 2.23)	314	640
Others		
Prepaid expenses	11,926	9,432
Prepaid expenses - related parties (refer note 2.23)	976	6,813
Goods and service tax recoverable	31,300	20,165
	46,622	38,384
Unsecured, considered doubtful		
Advances other than capital advances		
Advances to employees	1,206	649
Other receivables	794	794
Others		
Goods and service tax recoverable	4,160	4,092
Less: Provision for other current assets	(6,159)	(5,535)
	-	-
	46,622	**38,384**

HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.9 Share capital

	As at	
	31 March 2020	**31 March 2019**
Authorized		
2,000,000 (31 March 2019 : 2,000,000) equity shares of ₹ 10 each	20,000	20,000
Issued, subscribed and fully paid up		
1,751,301 (31 March 2019 : 1,751,301) equity shares of ₹ 10 each	17,513	17,513

Terms/ rights attached to equity shares
The Company has only one class of shares referred to as equity shares having 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	₹ in thousands	No. of shares	₹ in thousands
Number of shares at the beginning	1,751,301	17,513	1,751,301	17,513
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	1,751,301	17,513	1,751,301	17,513

Shares held by holding/ultimate holding company:

	As at	
	31 March 2020	**31 March 2019**
HCL Comnet Limited, the holding company (including its nominee)		
1,751,301 (31 March 2019: 1,751,301) equity shares of ₹ 10 each	17,513	17,513

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

Name of the shareholder	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
1,751,301 Equity shares of ₹ 10 each fully paid				
HCL Comnet Limited, the holding Company (including its nominee)	1,751,301	100%	1,751,301	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 were no bonus shares issued, no share issued for consideration other than cash and no shares bought back during the year (31 March 2019 : Nil).

Capital management

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

2.10 Financial Liablities

	Non-current		Current	
	As at		As at	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
(i)Borrowings (secured)				
Term loan from banks	269	307	321	175
	269	**307**	**321**	**175**
Disclosed under other Financial Liabilities(Note No.2.25)	**-**	**-**	**(321)**	**(175)**
	269	**307**	**-**	**-**

Note:- Company has availed of term loans of ₹590 (31 March 2019, ₹482) secured against gross block of vehicles of ₹1411 (31 March 2019, ₹834) at interest rates ranging from 8.75%p.a. to 8.90%p.a.. The loans are repayable over a period of 3 to 5 years on a monthly basis.

HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.11 Provisions

	As at	
	31 March 2020	**31 March 2019**
Non - current		
Provision for employee benefits		
Provision for gratuity	3,208	2,092
Provision for leave benefits	2,047	1,511
	5,255	**3,603**
Current		
Provision for employee benefits		
Provision for gratuity	909	89
Provision for leave benefits	825	489
	1,734	**578**

2.12 Other non current liabilities

	As at	
	31 March 2020	**31 March 2019**
Non Current		
Carried at amortized cost		
Deposits from employee	465	281
	465	**281**

2.13 Trade payables

	As at	
	31 March 2020	**31 March 2019**
Trade payables	14,675	17,756
Trade payables-related parties (refer note 2.23)	28,870	13,851
	43,545	**31,607**

2.14 Other financial liabilities

	As at	
	31 March 2020	**31 March 2019**
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	4,371	3,110
Other employee costs	4,537	5,207
Others		
Current maturities of long term borrowings	321	175
Liabilities for expenses	76,076	46,038
Liabilities for expenses-related parties (refer note 2.23)	3,447	571
Capital accounts payables	4,354	820
Capital accounts payables-related parties (refer note 2.23)	-	1,442
	93,106	**57,363**

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

2.15 Other current liabilities

	As at	
	31 March 2020	**31 March 2019**
Advance from students	2,657	8,734
Contract liabilities	121,189	76,715
Contract liabilities-related party (refer note 2.23)	21,372	9,027
Withholding and other taxes payable	5,559	5,148
	150,777	**99,624**

2.16 Revenue from operations

	Year ended	
	31 March 2020	**31 March 2019**
Training revenue	437,082	376,919
	437,082	**376,919**

Disaggregate Revenue Information

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

	Year ended 31 March 2020	**Year ended 31 March 2019**
Fixed price	437,082	376,919
	437,082	**376,919**

Remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was ₹ 1,42,561 (31 March 2019, ₹ 85,742) out of which, approximately 100%(31 March 2019, ₹ 85,742) is expected to be recognized as revenues within one year.

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 31 March 2020 and 31 March 2019.

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HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.16 Revenue from operations(continued)

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

The below table discloses the significant movement in contract liabilities:

	Year ended 31 March 2020	Year ended 31 March 2019
Balance as at beginning of the year	85,742	37,042
Additional amounts billed but not recognized as revenue	142,561	85,742
Deduction on account of revenues recognized during the year	(85,742)	(37,042)
Balance as at 31 March 2020	**142,561**	**85,742**

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 on 31 March 2020 and 31 March 2019.

The company has evaluated the impact of COVID-19 to ensure that revenue is recognised after considering all 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.

2.17 Other income

	Year ended	
	31 March 2020	31 March 2019
Interest income		
- On other financial instruments carried at amortized cost	2,168	2,389
- On income tax refund	3,043	-
- On others	156	220
Income on investments carried at fair value through profit and loss		
- Unrealized loss on fair value changes on mutual funds	(3,410)	(7,511)
- Profit on sale of mutual funds	19,616	30,848
Exchange differences (net)	-	107
Hostel Fees	671	-
Miscellaneous income	383	-
	22,627	**26,053**

2.18 Employee benefits expense

	Year ended	
	31 March 2020	31 March 2019
Salaries, wages and bonus	110,265	82,455
Contribution to provident fund and other employee funds	13,954	14,014
Staff welfare expenses	8,128	7,708
	132,347	**104,177**

HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.19 Finance costs

	Year ended	
	31 March 2020	**31 March 2019**
Interest		
- on the lease liability	1,299	-
- on loans from bank	95	17
Bank charges	65	7
	1,459	**24**

2.20 Other expenses

	Year ended	
	31 March 2020	**31 March 2019**
Rent (refer note 2.22)	49,345	65,773
Power and fuel	32,324	18,843
Insurance	170	302
Repairs and maintenance		
- Plant and machinery	3,545	1,801
- Buildings	13,349	17,617
- Others	21,471	13,164
Communication costs	833	696
Travel and conveyance	17,290	13,698
Recruitment, training, development and business promotion expense	157,495	154,567
Legal and professional charges	35,916	3,189
Outsourcing costs	47,114	26,676
Printing and stationery	3,096	2,859
Rates and taxes	1,679	3,598
Expenditure towards corporate social responsibility activities	2,359	3,130
Stipend Fees	157,958	51,780
Loss on disposal of property, plant & equipment	-	34
Provisions for doubtful receivables	6	-
Exchange differences (net)	312	-
Miscellaneous expenses	4,005	3,029
	548,267	**380,756**

2.21 Income taxes

	Year ended	
	31 March 2020	**31 March 2019**
Income tax charged to statement of profit and loss		
Current income tax charge	-	-
Tax related to prior period	-	(1,851)
Deferred tax charge (credit)	21,910	(22,883)
	21,910	**(24,734)**
Income tax charged to other comprehensive income		
Expense (benefit) on re-measurements of defined benefit plans	(196)	(113)
	(196)	**(113)**

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HCL Training & Staffing Services Private Limited

Notes to financial statements for the year ended 31 March 2020

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

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	(289,726)	(97,880)
Statutory tax rate in India	22.88%	26.00%
Expected tax expense	**(66,289)**	**(25,449)**
Income tax at lower / higher rate	-	(84)
Reversal of deferred tax related to prior year	21,910	-
Deferred tax not created on current year lossess and temporary differences	64,582	-
Tax related to prior years	-	(44)
Permanent differences	540	827
Others (net)	1,167	16
Total taxes	**21,910**	**(24,734)**
Effective income tax rate	(7.56%)	25.27%

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	22,156	(20,448)	-	1,708
Provision for doubtful debts	376	(376)	-	-
Accrued employee costs	1,977	(1,977)	-	-
Others	3,770	(3,770)	-	-
Gross deferred tax assets (A)	**28,279**	**(26,571)**	**-**	**1,708**
Deferred tax liabilities				
Depreciation and amortization	4,873	(4,694)	-	179
Unrealized gain on mutual funds	1,114	(913)	-	201
Others	578	946	(196)	1,328
Gross deferred tax liabilities (B)	**6,565**	**(4,661)**	**(196)**	**1,708**
Net deferred tax assets (A-B)	**21,714**	**(21,910)**	**196**	**-**

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				
Business losses	-	22,156	-	22,156
Provision for doubtful debts	1,303	(927)	-	376
Accrued employee costs	2,157	(180)	-	1,977
Others	4,315	(545)	-	3,770
Gross deferred tax assets (A)	**7,775**	**20,504**	**-**	**28,279**
Deferred tax liabilities				
Depreciation and amortization	5,198	(325)	-	4,873
Unrealized gain on mutual funds	3,282	(2,168)	-	1,114
Accrued employee costs				
Others	577	114	(113)	578
Gross deferred tax liabilities (B)	**9,057**	**(2,379)**	**(113)**	**6,565**
Net deferred tax assets/(liabilities) (A-B)	**(1,282)**	**22,883**	**113**	**21,714**

Deferred tax assets of ₹ 21,714 had been recognized in the previous year, primarily relating to carried forward losses and other temporary differences. Based on evaluation of convincing evidence required by applicable accounting standard, the company has recorded impairment of deferred tax asset of ₹ 21,910 during the year ended 31 March 2020. Deferred tax assets primarily related to carried forward losses and other temporary differences amounting to ₹ 83,676 were not recognized as per applicable accounting standards. The tax losses amounting to ₹ 3,48,121 can be carried forward till March 2028.

The Company has an ongoing litigation with tax authorities that arose in the ordinary course of business. The possibility of any outflow in settlement of litigation is remote.

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 units and carryover of unutilized MAT credit. The Company has opted for lower tax rate from current year.

2.22 Leases

(a) Company as a lessee

Company's significant leasing arrangements are in respect of leases for office spaces and hostels.

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

	Building	Total
Balance as at 1 April 2019	-	-
Transition impact of Ind AS 116 (refer note 1(k))	36,871	**36,871**
Depreciation charge for the year	(36,175)	**(36,175)**
Balance as at 31 March 2020	**696**	**696**

The reconciliation of lease liabilities is as follows:

	Building	Total
Balance as at 1 April 2019	-	-
Transition impact of Ind AS 116 (refer note 1(k))	34,695	**34,695**
Amounts recognized in statement of profit and loss as interest expense	1,299	**1,299**
Payment of lease liabilities	(35,269)	**(35,269)**
Balance as at 31 March 2020	**725**	**725**

The lease rental expense relating to short-term leases recognized in the statement of profit and loss for the year amounted to ₹37,383.

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	549
One to two years	216
Total lease payments	**765**
Imputed interest	(40)
Total lease liabilities	**725**

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 ₹ 48,945 and the lease equalization amount for non-cancellable operating lease payable in future years and accounted for by the Company was ₹ nil.

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	46,814
Later than one year and not later than 5 years	765
	47,579

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HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.23 Related party transactions
List of related parties and relationship:

(i) Ultimate holding Company : HCL Technologies Limited

(ii) Holding Company : HCL Comnet Limited

(iii) Other related parties with whom transactions have taken place during the current year:
Significant Influence :
HCL IT City Lucknow Private Limited
HCL Infosystems Limited
SSN College of Engineering
Shiv Nadar University
HCL Avitas Private Limited
HCL Corporation Private Limited

Transactions with related parties during the normal course of business	Ultimate holding company		Holding company		Fellow subsidiary		Significant influence	
	Year ended		Year ended		Year ended		Year ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Training revenue	-	-	-	-	-	-	71,890	45,140
Interest income	-	-	-	-	-	-	2,168	2,389
Payment for use of facilities	29,999	29,847	-	-	-	-	26,266	47,712
Interest expense on the lease liability	-	-	-	-	-	-	1,206	-
Depreciation charge on right-of-use assets	-	-	-	-	-	-	34,600	-
Other Expenses	170	85	-	-	-	-	15,627	20,526

Outstanding balances	Ultimate holding company		Holding company		Fellow subsidiary		Significant influence	
	As at		As at		As at		As at	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade receivables	245	5,862	-	-	-	-	2,198	2,737
Security deposit	-	-	-	-	-	-	30,221	23,046
Prepaid expenses	-	170	-	-	-	-	976	6,643
Other receivables	-	583	57	57	-	-	257	-
Trade payables	28,870	12,425	-	-	-	124	-	1,302
Capital account payable	-	1,442	-	-	-	-	-	-
Contract liabilities	-	-	-	-	-	-	21,372	9,027
Liabilities for Expenses	2,415	-	-	-	-	-	1,032	571

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HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.24 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 profit and loss :

	Year ended	
	31 March 2020	**31 March 2019**
Employer's contribution to Employees State Insurance	131	86
Employer's contribution to Employees Provident Fund	2,257	1,582
Employer's contribution to Employee's Pension Scheme	1,786	1,478
Total	**4,174**	**3,146**

B. Defined benefit plans

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

Statement of profit and loss

	Year ended	
	31 March 2020	**31 March 2019**
Current Service cost	1,241	592
Interest cost (net)	157	93
Net benefit expense	**1,398**	**685**

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HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020

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

2.24 Employee benefits (continued)

Balance Sheet

	As at	
	31 March 2020	**31 March 2019**
Defined benefit obligations	4,117	2,181
Fair value of plan assets	-	-
	4,117	2,181
Less: Unrecognized past service cost	-	-
Net plan liability	**4,117**	**2,181**
Current defined benefit obligations	909	89
Non-current defined benefit obligations	3,208	2,092

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

	Year ended	
	31 March 2020	**31 March 2019**
Opening defined benefit obligations	2,181	1,238
Current service cost	1,241	592
Interest cost	157	93
Re-measurement (gains) losses in OCI		
Actuarial changes arising from changes in demographic assumptions	(291)	23
Actuarial changes arising from changes in financial assumptions	352	49
Experience adjustments	520	204
Transfer of employees (adjustment)	182	-
Benefits paid	(225)	(18)
Closing defined benefit obligations	**4,117**	**2,181**

The principal assumptions used in determining gratuity for the Company's plans are shown below:

	As at	
	31 March 2020	**31 March 2019**
Discount rate	6.30%	7.20%
Estimated Rate of salary increases	8.00%	7.00%
Employee Turnover	32.00%	30.00%
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.

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	(4,018)	4,217
Impact of decrease	4,219	(4,019)

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

2.24 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	909
- 2022	1,078
- 2023	1,146
- 2024	1,166
- 2025	1,209
-Thereafter	12,820

The weighted average duration of the payment of these cash flows is 4.92 years.

2.25 Financial instruments

(a) Financial assets and liabilities

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

	Fair value through profit and loss	Amortized cost	Total carrying value
Financial assets			
Investments	101,036	-	101,036
Trade receivables	-	2,458	2,458
Cash and cash equivalents	-	16,414	16,414
Others (refer note 2.3)	-	30,416	30,416
Total	101,036	49,288	150,324
Financial liabilities			
Borrowings	-	269	269
Trade payables	-	43,545	43,545
Lease liablities (refer note 2.22)	-	725	725
Others (refer note 2.14)	-	93,106	93,106
Total	-	137,645	137,645

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

	Fair value through profit and loss	Amortized cost	Total carrying value
Financial assets			
Investments	283,408	-	283,408
Trade receivables	-	9,080	9,080
Cash and cash equivalents	-	3,004	3,004
Others (refer note 2.3)	-	23,241	23,241
Total	283,408	35,325	318,733
Financial liabilities			
Borrowings	-	307	307
Trade payables	-	31,607	31,607
Others (refer note 2.14)	-	57,363	57,363
Total	-	89,277	89,277

2.25 Financial instruments (continued)

Fair value hierarchy

The assets and liabilities measured at fair value on a recurring basis as at 31 March 2020 and the basis for that measurement is as below:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	101,036	101,036	-	-

There have been no transfers between Level 1 and Level 2 during the year

The assets and liabilities measured at fair value on a recurring basis as at 31 March 2019 and the basis for that measurement is as below:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	283,408	283,408	-	-

There have been no transfers between Level 1 and Level 2 during the year

Valuation methodologies

Investments: The Company's investments consisting primarily of investment in mutual funds which are classified as fair value through profit and loss are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1.

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.

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

Financial assets measured using level 1 inputs primarily include investment securities in liquid debt funds and the fair value being marked to an active market which factors the impact of COVID-19, we do not expect material volatility in these financial assets.

Trade 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, nature of customer verticals, considering impact of COVID – 19 impact on customers and related customer verticals.

2.25 Financial instruments (continued)

(b) Financial risk management

Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. Company has a risk management policy to manage & mitigate these risks.

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

1. Market risk

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

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. The Company's large portion of transactions are in Indian rupees and insignificant portion of transactions are in foreign currency hence the Company is not significantly exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are primarily in fixed rate interest bearing investments. Hence, the Company is not significantly exposed to interest rate risk.

2. Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and investment securities. The cash resources of the Company are invested with mutual funds and 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 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.

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	-	-
Additional provision during the year	6	-
Balance at the end of the year	**6**	**-**

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HCL Training & Staffing Services Private Limited

Notes to financial statements for the year ended 31 March 2020

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

3. 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 and thereafter	Total
As at 31 March 2020					
Trade payables	43,545	-	-	-	43,545
Lease liabilities	512	213	-	-	725
Borrowings	360	270	10	-	640
Other financial liabities	93,106	-	-	-	93,106
Total	137,523	483	10	-	138,016

	Year 1 (Current)	Year 2	Year 3	Year 4-5 and thereafter	Total
As at 31 March 2019					
Trade payables	31,607	-	-	-	31,607
Borrowings	869	512	237	49	1,667
Other financial liabilities	57,363	-	-	-	57,363
Total	89,839	512	237	49	90,637

2.26 Corporate social responsibility

As required by the Companies Act, 2013, the gross amount required to be spent by the Company on CSR activities is ₹2,359 (31 March 2019: ₹ 3,130) and the amount spent is ₹ 2,359 (31 March 2019 : ₹ 3,130).

2.27 Commitments and contingent liabilities

	As at	
	31 March 2020	31 March 2019
i) Capital and other commitments		
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	772	1,695
	772	**1,695**

2.28 Payment to auditors

	Year ended	
	31 March 2020	31 March 2019
Statutory audit fees	430	700
Tax audit fees	160	100
	590	**800**

2.29 Earnings per share

The computation of earnings per share is as follows:

	Year ended	
	31 March 2020	31 March 2019
Net loss as per statement of profit and loss for computation of EPS	(311,636)	(73,146)
Weighted average number of equity shares outstanding in calculating Basic EPS	1,751,301	1,751,301
Nominal value of equity shares (in ₹)	10.00	10.00
Earnings per equity share (in ₹)		
- Basic	(177.95)	(41.77)
- Diluted	(177.95)	(41.77)

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HCL Training & Staffing Services Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in thousands of ₹ except share data and as stated otherwise)

2.30 Segment information

The Company's business falls within a single primary business and geographical segment i.e. imparting technical training & education to the candidates and to carry on recruitment & placement for such candidates to other business or commercial entities. Accordingly, pursuant to Ind AS 108 on 'Operating Segments', notified under section 211(3C) of the Companies Act, 1956 read with Rule 7 of the Companies (Accounts) Rules 2014, Section 133 of the Companies Act, 2013, segment information is not required to be disclosed.

2.31 Micro and small 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	-	-	898	-
Principal amount paid beyond the appointed date	-	-	-	-
Interest under normal credit terms -				
Accrued and unpaid during the year	-	-	-	-
Total interest payable -		28		28
Accrued and unpaid during the year	-	28	-	28

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

As per our report of even date attached

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

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.08.04 23:28:25 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 04 August 2020

For and on behalf of the Board of Directors
of HCL Training & Staffing Services Private Limited

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.08.04 22:46:36 +05'30'

Subramanian Gopalakrishnan
Director

GOUTAM RUNGTA Digitally signed by GOUTAM RUNGTA Date: 2020.08.04 22:47:09 +05'30'

Goutam Rungta
Director

Place: Noida (UP), India
Date: 04 August 2020