Telerx Marketing, Inc.

Financial Statements

For the year ended 31st December 2019 and 2018

Telerx Marketing, Inc.

Balance Sheet as at 31 December 2019

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

	Note No.	As at 31 December 2019 (USD)	As at 31 December 2018 (USD)	As at 31 December 2019 Refer note 1(a) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	**3.1**	3,978	4,254	283,863
(b) Capital work in progress		-	103	-
(c) Other intangible assets	**3.2**	1,625	3,649	115,939
(d) Investment in subsidiary	**3.3**	308	308	21,972
(e) Financial assets				
(i) Others	**3.4**	-	351	-
(f) Deferred tax assets (net)	**3.19**	36	101	2,558
(g) Other non-current assets	**3.5**	5	363	363
(2) Current assets				
(a) Financial Assets				
(i) Trade receivables	**3.6**	37,369	37,431	2,666,609
(ii) Cash and cash equivalents	**3.7**	12,773	9,689	911,474
(iii) Loans	**3.8**	-	9,000	-
(iv) Others	**3.4**	14,659	11,664	1,046,048
(b) Other current assets	**3.9**	827	1,082	59,048
TOTAL ASSETS		**71,580**	**77,995**	**5,107,874**
II. EQUITY				
(a) Equity Share Capital	**3.10**	2	2	142
(b) Other Equity		33,322	51,161	2,377,815
TOTAL EQUITY		**33,324**	**51,163**	**2,377,957**
III. LIABILITIES				
Current liabilities				
(a) Financial Liabilities				
(i) Borrowings	**3.11**	3,000	-	214,076
(ii) Trade payables	**3.12**	20,908	17,728	1,492,001
(iii) Others	**3.13**	12,419	6,798	886,267
(b) Current tax liabilities (net)		1,929	2,306	137,573
TOTAL EQUITY AND LIABILITIES		**71,580**	**77,995**	**5,107,874**
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
ICAI Firm Registration Number : 101248W/W-100022

Anurag Maheshwary
Anurag Maheshwary (Aug 6, 2020 15:07 GMT+5.5)

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 5 August, 2020

For and on behalf of the Board of Directors
of Telerx Marketing Inc

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Aug 5, 2020 10:51 PDT)

Raghu Raman Lakshmanan
Director

Anoop

Anoop Tiwari
Director

Date: 5 August, 2020

Telerx Marketing, Inc.
Statement of Profit and Loss for the year ended 31 December 2019
(All amounts in thousands, except share data and as stated otherwise)

		Note No.	31 December 2019 (USD)	31 December 2018 (USD)	31 December 2019 Refer note 1(a) (₹)
I	**Revenue**				
	Revenue from operations	**3.14**	189,247	146,911	13,504,409
	Other income	**3.15**	900	273	64,250
	Total income		**190,147**	**147,184**	**13,568,659**
II	**Expenses**				
	Employee benefits expense	**3.16**	117,711	88,654	8,399,692
	Finance costs	**3.17**	248	94	17,704
	Depreciation and amortization expense	**3.1 & 3.2**	3,369	3,288	240,403
	Outsourcing costs		41,876	28,565	2,988,192
	Other expenses	**3.18**	21,398	17,956	1,526,945
	Total expenses		**184,602**	**138,557**	**13,172,936**
III	**Profit before tax**		**5,545**	**8,627**	**395,723**
IV	**Tax expense**	**3.19**			
	Current tax		1,318	2,561	94,087
	Deferred tax credit		66	(101)	4,679
	Total tax expense		1,384	2,460	98,766
V	**Profit for the year**		**4,161**	**6,167**	**296,957**
VI	**Other comprehensive income**				
	Items that will not be reclassified to statement of profit or loss		-	-	-
	Items that will be reclassified subsequently to statement of profit or loss		-	-	-
			-	-	-
VII	**Total comprehensive income for the year**		**4,161**	**6,167**	**296,957**
	Earnings per equity share of USD 1 par value	**3.21**			
	Basic		2,080.29	3,083.28	148,478.40
	Diluted		2,080.29	3,083.28	148,478.40
	Summary of significant accounting policies	**1**			

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Telerx Marketing, Inc.

Statements of cash flows

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

	31 December 2019	31 December 2018	31 December 2019 Refer note 1(a)
	(USD)	(USD)	(₹)
A. Cash flows from operating activities			
Profit before tax	5,545	8,627	395,723
Adjustment for:			
Depreciation and amortization	3,369	3,288	240,403
Provision for doubtful debts	95	375	6,790
Interest income	(389)	(70)	(27,748)
Interest expenses	15	-	1,103
Operating profit before working capital changes	**8,635**	**12,220**	**616,271**
Movement in Working Capital			
(Increase)/decrease in trade receivables	(33)	23,869	(2,386)
(Increase)/decrease in other financial assets and other assets	(1,643)	(10,335)	(117,235)
Increase/ (decrease) in trade payables	3,181	(13,631)	226,990
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	5,621	(1,564)	401,063
Cash generated from operations	**15,761**	**10,559**	**1,124,703**
Direct taxes paid (net of refunds)	(1,696)	(154)	(121,019)
Net cash flow from operating activities (A)	**14,065**	**10,405**	**1,003,684**
B. Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles, including capital work in progress	(966)	(398)	(68,914)
Loan given to related party	-	(9,000)	-
Proceeds from maturity of loan given to related party	9,000	-	642,228
Net cash flow used in investing activities (B)	**8,034**	**(9,398)**	**573,314**
C. Cash flows from financing activities			
Dividend Paid	(22,000)	-	(1,569,891)
Proceeds from short term borrowings	3,000	-	214,076
Interest paid	(15)	-	(1,103)
Net cash flow used in financing activities (C)	**(19,015)**	**-**	**(1,356,918)**
Net increase (decrease) in cash and cash equivalents (A+B+C)	3,084	1,007	220,080
Cash and cash equivalents at the beginning of the year	9,689	8,682	691,394
Cash and cash equivalents at the end of the year as per note 3.7	**12,773**	**9,689**	**911,474**
Summary of significant accounting policies (Note 1)			

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Raghu Raman Lakshmanan
Director

Anoop

Anoop Tiwari
Director

Date: 5 August, 2020

Telerx Marketing, Inc.

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

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

(Amount in USD)

	Equity share capital		Other equity
	Shares	Share capital	Reserves and Surplus
			Retained earnings
Balance as of April 1, 2018	2,000	2	44,994
Profit for the year	-	-	6,167
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the year	-	-	6,167
Balance as of December 31, 2018	2,000	2	51,161
Balance as of January 1, 2019	2,000	2	51,161
Profit for the year	-	-	4,161
Dividend of $ 11,000 per share	-	-	(22,000)
Other comprehensive income/ (loss)	-	-	-
Total comprehensive income for the year	-	-	(17,839)
Balance as of December 31, 2019	2,000	2	33,322
Balance as of December 31, 2019 (₹)	2,000	142	2,377,815

Summary of significant accounting policies (Note 1)

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Director

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Director

Date: 5 August, 2020

ORGANIZATION AND NATURE OF OPERATIONS

Telerx Marketing Inc. (hereinafter referred to as the 'Company') is multi-channel customer engagement services provider, specializing in global, high-touch consumer, patent, and end-user management. The Company was incorporated on 18th January 1980, as Symposia Associates Inc., which was later changed to Telerx Marketing Inc. on 22nd July 1981. The registered office of the Corporation is at 723, Dresher Road, Horsham, PA 19044-0 Montgomery, USA.

The financial statements for the year ended 31st December, 2019 were approved and authorized for issue by the Board of Directors on 5 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 principle 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, 2015 (as amended from time to time.) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. The company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India. 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).

On 6th April, 2018 the Company was acquired by HCL America, Inc. (a wholly owned step down subsidiary of the HCL Technologies Limited).

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 which have been measured at fair value (refer accounting policy regarding financial instruments).

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

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

The functional currency of the Company is US Dollar (USD). The translation from USD to ₹ is included solely for the convenience of readers in India and has been performed using rate of USD 1 = 71.3587, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amount represents, or have been or could be converted into, USD at that or any other rate.

(b) *Use of estimates*

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, allowance for uncollectible accounts receivables, accrual of warranty costs, income taxes, the useful lives of property, plant and equipment, intangible assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

(c) Foreign currency and translation

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 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.

(d) Fair value measurement

The Company records certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability.

The Company holds certain equity 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.

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

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

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

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated total cost to complete exceeds the estimated total revenues that will be generated by the contract and are included in cost of revenues and classified in other accrued liabilities

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured.

Multiple performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which Company would sell a promised good or service separately to the customer. When not directly observable, we typically estimate standalone selling price by using the expected cost plus a margin approach. We typically establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to license of intellectual property (Software) or lease deliverable, the arrangement consideration allocated to the software deliverables, lease deliverable as a Company is then allocated to each software obligation and lease deliverable.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

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 are considered as fulfillment cost which are directly related to contract and result in generation or enhancement of resources and are expected to be recoverable under the contract and thereby these contract fulfillment assets 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 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.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the company is a principal or an agent, most notably being company control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Incentive revenues, volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

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 receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).
Revenue from operating leases is accounted on a straight-line basis as service revenue over the rental period.

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.

(f) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the

extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

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

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

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in- progress.

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)
Computers	4-5
Plant and equipment (including air conditioners, electrical installations)	10
Furniture and fixtures	7
Leasehold-improvements	Over the lease period or useful life of the asset, whichever is lower

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives prescribed under Part C of Schedule II of the Companies Act 2013.

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

(h) Intangible assets

Intangible assets 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

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use 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.

(j) Leases

Company as a lessee

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

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

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

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

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

(k) Impairment of non-financial assets

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

(l) Provisions 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.

(m) Retirement and other employee benefits

Compensated absences: The employees of the company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Accumulated leave are utilized within an annual cycle and is treated as a short-term employee benefit. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

In respect of social security, a defined contribution plan for applicable employees, the company contributes to a scheme and such contributions for each year of service rendered by the employees are charged to the statement of profit and loss. The company has no further obligations to the social security beyond its contributions.

(n) Financial Instruments

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

Financial assets

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

Cash and cash equivalent

Cash in the balance sheet comprise cash in banks, which is subject to an insignificant risk of changes in 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.

Equity investments

Equity investments in subsidiaries are measured at cost less impairment if any.

Derecognition of financial assets

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in statement of profit and loss.

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 subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. Changes in fair value of such liability are recognized in the statement of profit or loss.

Financial liabilities at amortized cost

The company's financial liabilities include trade payables, borrowings including bank overdrafts and other payables. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

(o) Dividend

The holders of shares of Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors in its discretion from funds legally available therefor.

(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.

(q) Recently issued accounting pronouncements

Ind AS 116 – Leases

Ind AS 116 Leases was notified in October 2018 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under Ind AS 17.

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

2. *Acquisition in the previous period*

Acquisition of Business of Telerx Marketing Inc.

HCL America, Inc. (a wholly owned step down subsidiary of the HCL Technologies Limited) acquired Telerx Marketing, Inc. (doing business as C3i Solutions) a company formed under the laws of State of Delaware, pursuant to which Telerx Marketing, Inc. and all its subsidiaries have become the wholly owned subsidiary(ies) of HCL America Inc., with effect from the date of completion of acquisition, i.e. April 06, 2018.

Telerx Marketing, Inc.
Notes to financial statements for the year ended 31 December 2019
(All amounts in thousands, except share data and as stated otherwise)

3.1 Property, plant and equipment

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

	Computers	Plant & equipment	Furniture and fixtures	Total	Computers	Plant & equipment	Furniture and fixtures	Total
	(USD)	(USD)	(USD)	(USD)	(₹)	(₹)	(₹)	(₹)
Gross book value as at 1 January 2019	**4,340**	**973**	**6,394**	**11,707**	**309,696**	**69,432**	**456,268**	**835,396**
Additions	1,129	26	-	1,155	80,564	1,865	-	82,429
Disposals	-	-	-	-	-	-	-	-
Gross book value as at 31 December 2019	**5,469**	**999**	**6,394**	**12,862**	390,260	71,297	456,268	**917,825**
Accumulated depreciation as at 1 January 2019	**2,695**	**271**	**4,487**	**7,453**	**192,312**	**19,338**	**320,186**	**531,836**
Charge for the year	855	197	379	1,431	61,015	14,047	27,064	102,126
Deduction/other adjustments	-	-	-	-	-	-	-	-
Accumulated depreciation as at 31 December 2019	**3,550**	**468**	**4,866**	**8,884**	**253,327**	**33,385**	**347,250**	**633,962**
Net book value as at 31 December 2019	**1,919**	**531**	**1,528**	**3,978**	**136,933**	**37,912**	**109,018**	**283,863**
Net book value as at 1 January 2019	**1,645**	**702**	**1,907**	**4,254**	**117,384**	**50,094**	**136,082**	**303,560**

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

	Computers	Plant & equipment	Furniture and fixtures	Total
	(USD)	(USD)	(USD)	(USD)
Gross book value as at 1 April 2018	**5,601**	**815**	**13,607**	**20,023**
Additions	9	162	221	392
Disposals	(1,270)	(4)	(7,434)	(8,708)
Gross book value as at 31 December 2018	**4,340**	**973**	**6,394**	**11,707**
Accumulated depreciation as at 1 April 2018	3,172	138	11,637	**14,947**
Charge for the year	792	137	284	1,213
Deduction/other adjustments	(1,269)	(4)	(7,434)	(8,707)
Accumulated depreciation as at 31 December 2018	**2,695**	**271**	**4,487**	**7,453**
Net book value as at 31 December 2018	**1,645**	**702**	**1,907**	**4,254**
Net book value as at 1 April 2018	**2,429**	**677**	**1,970**	**5,076**

3.2 Other Intangible Assets

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

	Software (USD)	Software (₹)
Gross book value as at 1 January 2019	**13,743**	**980,683**
Additions	-	-
Disposals	(86)	(6,172)
Gross book value as at 31 December 2019	**13,657**	**974,511**
Accumulated depreciation as at 1 January 2019	**10,094**	**720,295**
Charge for the year	1,938	138,277
Deduction/other adjustments	-	-
Accumulated depreciation as at 31 December 2019	**12,032**	**858,572**
Net book value as at 31 December 2019	**1,625**	**115,939**
Net book value as at 1 January 2019	**3,649**	**260,388**

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

	Software (USD)
Gross book value as at 1 April 2018	**14,577**
Additions	464
Disposals	(1,298)
Gross book value as at 31 December 2018	**13,743**
Accumulated depreciation as at 1 April 2018	9,317
Charge for the year	2,075
Deduction/other adjustments	(1,298)
Accumulated depreciation as at 31 December 2018	**10,094**
Net book value as at 31 December 2018	**3,649**
Net book value as at 1 April 2018	**5,260**

Telerx Marketing, Inc.
Notes to financial statements for the year ended 31 December 2019
(All amounts in thousands, except share data and as stated otherwise)

3.3 Investments in subsidiaries

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
C3i Europe Eood			
1,505 BGN equity share of BGN 100 each	83	83	5,898
C3i Japan GK			
1 equity share of JPY 1	0	0	-
C3i Services & Technologies (Dalian) Co, Ltd			
Capital RMB 1,960,369 (Equivalent to USD 300,000)	0	0	3
C3i Support Services Pvt Ltd			
1,542,106 equity shares of Rs. 10 each (1 equity share is held by C3i Eood)	225	225	16,071
C3i UK Limited			
1 Ordinary share of Pound 1	0	0	-
	308	**308**	**21,972**

3.4 Other financial assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Non - current			
Carried at amortized cost			
Security deposits	-	351	-
	-	**351**	**-**
Current			
Carried at amortized cost			
Interest receivable- related party (refer note 3.22)	459	70	32,736
Unbilled receivables	14,200	11,594	1,013,312
	14,659	**11,664**	**1,046,048**

3.5 Other non- current assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Unsecured, considered good			
Security deposits	5	363	363
	5	**363**	**363**

3.6 Trade Receivable

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Unsecured, considered good (refer note below)	37,310	37,431	2,662,419
Trade receivables which have significant increase in credit risk	6,786	3,996	484,255
Trade receivables - credit impaired	59	-	4,189
	44,155	**41,427**	**3,150,864**
Impairment allowance for bad and doubtful debts	(6,786)	(3,996)	(484,255)
	37,369	**37,431**	**2,666,609**

Note: Includes receivables from related parties amounting to USD 643 (₹ 45,884) (31 December 2018, Nil).

Telerx Marketing, Inc.

Notes to financial statements for the year ended 31 December 2019

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

3.7 Cash and cash equivalent

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Balance with banks			
- in current accounts	12,773	9,689	911,474
	12,773	**9,689**	**911,474**

3.8 Loans

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Current			
Unsecured , considered good			
Loan given to related party (refer note 3.22)	-	9,000	-
	-	**9,000**	**-**

3.9 Other current assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Unsecured , considered good			
Prepaid expenses	404	1,077	28,852
Advances to employees	52	-	3,736
Others	371	5	26,460
	827	**1,082**	**59,048**

3.10 Share Capital

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Authorised share capital			
5,000 authorized shares of voting common stock, par value of USD 1 per share	5	5	357
5,000 authorized shares of Class A non-voting common stock, par value of USD 1 per share	5	5	357
Issued, subscribed and fully paid up			
Voting common stock			
1,000 (1 April 2018, 1,000) equity share of USD 1	1	1	71
Class A, non-voting common stock			
1,000 (1 April 2018, 1,000) equity share of USD 1	1	1	71
	2	**2**	**142**

Terms/ rights attached to equity shares

The Company has two classes of shares, 1000 shares of voting common stock having par value of USD 1 per share and 1000 shares of Class A, non-voting common stock having par value of USD 1 per share.

In the event of liquidation of the Company, the shareholders will be entitled to receive remaining assets of the company, after distribution of all preferential amounts.

Telerx Marketing, Inc.

Notes to financial statements for the year ended 31 December 2019

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

Reconciliation of the number of shares outstanding at the beginning and at the end of the financial year

	As at			
	31 December 2019		31 December 2019	
	No. of shares	(USD)	No. of shares	(₹)
Number of shares at the beginning	2,000	2	2,000	142
Add: shares issued during the year	-	-	-	-
Number of shares at the end	2,000	2	2,000	142

	As st	
	31 December 2018	
	No. of shares	(USD)
Number of shares at the beginning	2,000	2
Add: shares issued during the year	-	-
Number of shares at the end	2,000	2

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

Name of the shareholder	As at			
	31 December 2019		31 December 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of USD 1 each fully paid				
HCL America Inc.	2,000	100%	2,000	100%

As per register of shareholders regarding beneficial interest, the above shares-holding represent both legal and beneficial ownership of shares.

Capital management

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

3.11 Borrowings

	As at		
	31 December 2019	31 December 2018	31 December 2019
Short term borrowings	(USD)	(USD)	(₹)
Unsecured			
Loan from related party (refer note 3.22)	3,000	-	214,076
	3,000	**-**	**214,076**

Note: The Company has availed a short term loan from related party at an interest rate of LIBOR plus 1%. The loan is repayable on demand.

3.12 Trade payables

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Trade payables	1,046	1,628	74,653
Trade payables-related parties (refer note 3.22)	19,862	16,100	1,417,348
	20,908	**17,728**	**1,492,001**

3.13 Other financial liabilities

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Current			
Carried at amortized cost			
Other employee costs	7,138	4,676	509,389
Interest accrued but not due on borrowings - related parties (refer note 3.22)	15	-	1,103
Liabilities for expenses	5,266	2,122	375,775
	12,419	**6,798**	**886,267**

3.14 Revenue from operations

	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Sale of services	189,247	146,911	13,504,409
	189,247	**146,911**	**13,504,409**

Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers by contract type for the year ended 31 December 2019.

	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Contract type			
Fixed price	189,247	146,911	13,504,409
Time and material	-	-	-
	189,247	**146,911**	**13,504,409**
Geography wise			
America	168,039	146,911	11,991,054
Europe	21,072	-	1,503,653
India	91	-	6,512
Others	45	-	3,190
	189,247	**146,911**	**13,504,409**

The group has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (b) onerous projects; (c) penalties for not meeting SLAs; (d) volume discounts; (e) termination/deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

3.15 Other income

	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Exchange differences (net)	167	-	11,932
Interest income on loans from related parties	389	70	27,748
Miscellaneous income	344	203	24,570
	900	**273**	**64,250**

3.16 Employee benefits expense

	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Salaries, wages and bonus	115,606	88,654	8,249,496
Contribution to social security scheme & other benefit (refer below note)	315	-	22,454
Staff Welfare	1,790	-	127,742
	117,711	**88,654**	**8,399,692**

Note: The contributions made to 401(k) plan by the Company, for the year ended 31 December 2019 is USD 771 (₹55,018), (31 December 2018, USD 729).

3.17 Finance cost

	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Interest			
- loan from related party	15	-	1,103
Bank charges	233	94	16,601
	248	**94**	**17,704**

3.18 Other Expenses

	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Rent	4,479	3,053	319,623
Power and fuel	588	777	41,945
Advertising and Business promotion	5	-	336
Repairs and maintenance			
- Plant and equipment	228	490	16,298
-Buildings	856	348	61,070
-Others	234	472	16,665
Communication costs	3,844	2,842	274,322
Travel and conveyance	1,043	918	74,459
Postage and Courier	756	-	53,917
Legal and professional charges	365	160	26,018
Provision for doubtful debts / bad debts written off	95	375	6,790
Software license fee	5,296	5,131	377,937
Exchange differences (net)	-	12	-
Recruitment, training and development	686	410	48,956
Miscellaneous expenses	2,923	2,968	208,609
	21,398	**17,956**	**1,526,945**

Telerx Marketing, Inc.

Notes to financial statements for the year ended 31 December 2019

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

3.19 Income taxes

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(USD)	**(USD)**	**(₹)**
Income tax charged to statement of profit and loss			
Current income tax charge	1,465	2,561	104,565
Adjustment in respect of prior year	(147)	-	(10,477)
Deferred tax charge (credit)	(39)	(101)	(2,782)
Adjustment in respect of prior year	105	-	7,460
	1,384	**2,460**	**98,766**

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

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(USD)	**(USD)**	**(₹)**
Profit before income tax	5,545	8,627	395,653
Statutory tax rate	26%	26%	26%
Expected tax expense	**1,414**	**2,243**	**100,932**
Adjustment in respect of prior year	(42)	(38)	(3,016)
Others	12	255	850
Total taxes	**1,384**	**2,460**	**98,766**
Effective income tax rate	25%	29%	25%

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

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Incremental liability	1,216	(1,216)	-
Accrued liability	552	(552)	-
Provision for customer discount	-	9	9
Foreign exchange	-	27	27
Gross deferred tax assets (A)	1,768	(1,732)	36
Deferred tax liabilities			
Depreciation	1,666	(1,666)	-
Gross deferred tax liabilities (B)	1,666	(1,666)	-
Net deferred tax assets/(liabilities) (A-B)	101	(66)	36

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

	Opening balance	**Recognized in**	**Closing balance**
Deferred tax assets			
Incremental liability	-	1,216	1,216
Accrued liability	-	552	552
Gross deferred tax assets (A)	-	1,768	1,768
Deferred tax liabilities			
Depreciation	-	1,666	1,666
Gross deferred tax liabilities (B)	-	1,666	1,666
Net deferred tax assets/(liabilities) (A-B)	-	101	101

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

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Incremental liability	86,757	(86,757)	-
Accrued liability	39,376	(39,376)	-
Provision for customer discount	-	614	614
Foreign exchange	-	1,944	1,944
Provision for doubtful debts	-	-	-
Gross deferred tax assets (A)	126,133	(123,575)	2,558
Deferred tax liabilities			
Depreciation	118,895	(118,895)	-
Gross deferred tax liabilities (B)	118,895	(118,895)	-
Net deferred tax assets/(liabilities) (A-B)	7,239	(4,681)	2,558

3.20 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December, 2019 and 31 December, 2018 is as follows:

	Amortized cost		
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Financial assets			
Trade receivables	37,369	37,431	2,666,609
Cash and cash equivalents	12,773	9,689	911,474
Loans	-	9,000	-
Others (refer note 3.4)	14,659	12,015	1,046,048
Total	64,801	68,135	4,624,131
Financial liabilities			
Borrowings	3,000	-	214,076
Trade payables	20,908	17,728	1,492,002
Others (refer note 3.13)	12,419	6,798	886,210
Total	36,327	24,526	2,592,288

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

(b) 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.

Market risk

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

(i) Foreign currency risk

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. A significant portion of the Company cost is primarily in BGN & CNY. The fluctuation in exchange rates in respect to USD may have potential impact on the statement of profit and loss.

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 USD 82 (₹5,883) for the year ended 31 December, 2019.

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

3.20 Financial instruments (continued)

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

	Net financial assets			Net financial liabilities		
	31 December 2019	31 December 2018	31 December 2019	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)	(USD)	(USD)	(₹)
BGN / USD	-	-	-	6,286	-	448,561
CNY / USD	-	-	-	1,558	-	111,186

(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 exposure to the risk of changes in market interest rates arises on borrowings and loans given with floating interest rate which is not material. Hence the Company is not significantly exposed to interest rate risk.

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 receivable. 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 USA and accordingly, trade receivables are concentrated in USA. 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 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Balance at the beginning of the year	3,996	3,996	285,131
Additional provision during the year	2,790	-	199,102
Deductions on account of write offs and collections	-	-	-
Balance at the end of the year	**6,786**	**3,996**	**484,233**

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. 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.

3.21 Earnings Per Share

The computation of earnings per share is as follows:

	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
Net profit as per statement of profit and loss	4,161	6,167	296,958
Weighted average number of equity shares outstanding in calculating Basic EPS	2,000	2,000	2,000
Weighted average number of equity shares outstanding in calculating dilutive EPS	2,000	2,000	2,000
Nominal value of equity shares	1	1	1
Earnings per equity share			
- Basic	2,080.29	3,083.28	148,478.90
- Diluted	2,080.29	3,083.28	148,478.90

Telerx Marketing, Inc.
Notes to financial statements for the year ended 31 December 2019
(All amounts in thousands, except share data and as stated otherwise)

3.22 Related party transactions

a) Related parties where control exists
Ultimate Holding Company
HCL Technologies Limited

Holding Company
HCL America Inc.

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

Holding Company
HCL America Inc.

Fellow Subsidiaries
C3i (UK) Limited
C3i Europe Eood
C3i Japan GK
C3i Services & Technologies (Dalian) Co. Ltd
Geometric Americas Inc.
C3i Support Services Private Limited

Transactions with related parties during the normal course of business	Interest Income	Outsourcing cost	Dividend	Interest Expense
For the Year 2019 (USD)				
Holding Company	389	-	22,000	-
Fellow Subsidiaries	-	37,164	-	15
Total	**389**	**37,164**	**22,000**	**15**
For the Year 2018 (USD)				
Holding Company	70	-	-	-
Fellow Subsidiaries	-	26,545	-	-
Total	**70**	**26,545**	**-**	**-**
For the Year 2019 (₹)				
Holding Company	27,748	-	1,569,891	-
Fellow Subsidiaries	-	2,651,947	-	1,103
Total	**27,748**	**2,651,947**	**1,569,891**	**1,103**

c) Outstanding balances

Outstanding balances	Trade Payables and other Current Liabilities	Loans to Related Parties	Loans from Related Parties	Interest Receivable	Investments	Trade Receivables	Interest accrued but not due on borrowings
As on 31st December, 2019 (USD)							
Ultimate Holding Company	-	-	-	-	-	670	-
Holding Company	6	-	-	459	-	-	-
Fellow Subsidiaries	19,829	-	3,000	-	308	-	15
Total	**19,835**	**-**	**3,000**	**459**	**308**	**670**	**15**
As on 31st December, 2018 (USD)							
Holding Company	-	9,000	-	70	-	-	-
Fellow Subsidiaries	16,100	-	-	-	308	-	-
Total	**16,100**	**9,000**	**-**	**70**	**308**	**-**	**-**
As on 31st December, 2019 (₹)							
Ultimate Holding Company	-	-	-	-	-	47,843	-
Holding Company	456	-	-	32,736	-	-	-
Fellow Subsidiaries	1,414,939	-	214,076	-	21,972	-	1,103
Total	**1,415,395**	**-**	**214,076**	**32,736**	**21,972**	**47,843**	**1,103**

3.23 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. Till previous year, the CODM evaluated the Company's performance by business segments comprising software services, infrastructure management services and business process outsourcing services.

Consequent to the reorganization of its operations due to technological changes and business requirements, effective current year, the Company's ultimate holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segments.

Due to the reorganization of operations, the ultimate Holding Company effective from current year monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disagreegation as per geography is given in note 3.14.

3.24 Commitments and contingent liabilities

	As at	As at	As at
	31 December 2019	31 December 2018	31 December 2019
	(USD)	(USD)	(₹)
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)	214	-	15,257
	214	**-**	**15,257**

3.24 Commintments and contingent liabilities (continued)

The Company is involved in few lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Company believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of the Company, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 December 2019.

3.25 Subsequent events

The Company has evaluated all the subsequent events through 5 August, 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
ICAI Firm Registration Number : 101248W/W-100022

Anurag Maheshwary
Anurag Maheshwary (Aug 6, 2020 15:07 GMT+5.5)

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 5 August, 2020

For and on behalf of the Board of Directors
of Telerx Marketing Inc

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Aug 5, 2020 10:51 PDT)

Raghu Raman Lakshmanan
Director

Anoop Tiwari
Director

Date: 5 August, 2020