

HCL Technologies Limited

Consolidated Financial Statements - IFRS

For the year ended 31 March 2023 and 2022



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Independent Auditors' Report

The Board of Directors
HCL Technologies Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HCL Technologies Limited and its subsidiaries (the Company), which comprise the consolidated balance sheet as of March 31, 2023 and 2022, and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are authorized for issuance.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance



and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG Assurance and Consulting Services LLP

Gurugram, Haryana, India
April 20, 2023

HCL Technologies Limited
Consolidated Balance Sheet

(All amounts in millions of USD, except share data and as stated otherwise)

	Note	As at	As at
	No.	31 March 2023	31 March 2022
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	654	741
Capital work in progress		5	17
Right-of-use assets	3.20 (a)	284	304
Goodwill	3.2	2,260	2,299
Other intangible assets	3.3	1,016	1,286
Investments accounted for using the equity method	3.4 (a)	-	1
Investments	3.4 (b)	14	14
Trade receivables - unbilled	3.5	83	141
Deposits with Corporations		-	26
Other financial assets	3.7	156	161
Deferred tax assets (net)	3.17	152	155
Other assets	3.8	226	264
Total non-current assets		4,850	5,409
Current assets			
Inventories		28	21
Investments	3.4 (b)	655	823
Trade receivables			
Billed	3.5	2,381	2,042
Unbilled	3.5	722	685
Cash and cash equivalents	3.6 (a)	1,103	1,387
Deposits with banks	3.6 (b)	689	281
Deposits with Corporations		317	397
Other financial assets	3.7	136	201
Current tax assets (net)		24	31
Other assets	3.8	465	472
Total current assets		6,520	6,340
TOTAL ASSETS		11,370	11,749

HCL Technologies Limited
Consolidated Balance Sheet

(All amounts in millions of USD, except share data and as stated otherwise)

	Note No.	As at <u>31 March 2023</u>	As at <u>31 March 2022</u>
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	3.9	72	72
Retained earnings		7,763	7,700
Other equity		127	398
Equity attributable to shareholders of the Company		<u>7,962</u>	<u>8,170</u>
Non-controlling interest		(1)	12
TOTAL EQUITY		<u>7,961</u>	<u>8,182</u>
LIABILITIES			
Non-current liabilities			
Borrowings	3.10	257	518
Lease liabilities	3.20 (a)	202	219
Other financial liabilities	3.11	62	59
Contract liabilities		95	87
Provisions	3.12 (a)	160	187
Deferred tax liabilities (net)	3.17	20	15
Other liabilities	3.12 (b)	5	4
Total non-current liabilities		<u>801</u>	<u>1,089</u>
Current liabilities			
Borrowings	3.10	17	8
Lease liabilities	3.20 (a)	106	92
Trade payables			
Billed		307	303
Unbilled and accruals		475	525
Other financial liabilities	3.11	634	633
Contract liabilities		477	446
Provisions	3.12 (a)	136	126
Current tax liabilities (net)		262	178
Other liabilities	3.12 (b)	194	167
Total current liabilities		<u>2,608</u>	<u>2,478</u>
TOTAL LIABILITIES		<u>3,409</u>	<u>3,567</u>
TOTAL EQUITY AND LIABILITIES		<u>11,370</u>	<u>11,749</u>

The accompanying notes are an integral part of the consolidated financial statements

HCL Technologies Limited**Consolidated Statement of Profit or Loss**

(All amounts in millions of USD, except share data and as stated otherwise)

	Note No.	Year ended	
		31 March 2023	31 March 2022
Revenues	3.13	12,586	11,481
Expenses			
Cost of revenues	3.14	8,008	7,073
Research and development expenses	3.14	203	205
Selling, general and administrative expenses	3.14	1,573	1,453
Depreciation and amortization expenses		514	580
Operating profit		2,288	2,170
Other income (expenses), net	3.15	169	143
Finance cost	3.16	44	43
Profit before share of loss of associate and tax		2,413	2,270
Share of loss of associate, net of tax		-	-
Profit before tax		2,413	2,270
Income tax expense	3.17	577	460
Profit for the year		1,836	1,810
Profit for the year attributable to			
Shareholders of the Company		1,837	1,807
Non-controlling interest		(1)	3
		1,836	1,810
Earnings per equity share	3.18		
Basic (in USD)		0.68	0.67
Diluted (in USD)		0.68	0.67

The accompanying notes are an integral part of the consolidated financial statements

HCL Technologies Limited**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

(All amounts in millions of USD, except share data and as stated otherwise)

	Note	Year ended	
	No.	31 March 2023	31 March 2022
Profit for the year		1,836	1,810
Other comprehensive income (loss)	3.19		
Items that will not be reclassified subsequently to statement of profit or loss			
Change in unrealized gain on defined benefit plan, net of taxes		19	5
Items that will be reclassified subsequently to statement of profit or loss			
Change in foreign currency translation		(440)	(230)
Change in unrealized gain (loss) on cash flow hedges, net of taxes		(51)	36
Change in unrealized (loss) on debt instruments, net of taxes		(1)	(2)
Total other comprehensive loss, net of taxes		(473)	(191)
Total comprehensive income for the year		1,363	1,619
Total comprehensive income for the year attributable to			
Shareholders of the Company		1,364	1,616
Non-controlling interest		(1)	3
		1,363	1,619

The accompanying notes are an integral part of the consolidated financial statements

HCL Technologies Limited
Consolidated Statement of Changes in Equity

(All amounts in millions of USD, except share data and as stated otherwise)

	Equity share capital		Retained earnings	Other equity										Equity attributable to shareholders of the Company	Non Controlling Interests	Total Equity
	Number of shares *	Share capital		Reserves					Other comprehensive income							
				Securities premium	Capital redemption reserve	Treasury share reserve	Share based payment reserve	Special economic zone re-investment reserve	Remeasurement of defined benefit plans	Foreign currency translation reserve	Cash flow hedging reserve	Debt instruments through other comprehensive income				
Balance as at 1 April 2021	2,713,665,096	72	7,586	1	2	-	-	227	(1)	281	25	3	8,196	22	8,218	
Profit for the year	-	-	1,807	-	-	-	-	-	-	-	-	-	1,807	3	1,810	
Other comprehensive income (refer note 3.19)	-	-	-	-	-	-	-	-	5	(231)	36	(2)	(192)	1	(191)	
Total comprehensive income for the year	-	-	1,807	-	-	-	-	-	5	(231)	36	(2)	1,615	4	1,619	
Transactions with owners of the Company																
Contributions and distributions																
Interim dividend of ₹42 per share	-	-	(1,528)	-	-	-	-	-	-	-	-	-	(1,528)	-	(1,528)	
Transfer to special economic zone re-investment reserve	-	-	(270)	-	-	-	-	270	-	-	-	-	-	-	-	
Transfer from special economic zone re-investment reserve	-	-	123	-	-	-	-	(123)	-	-	-	-	-	-	-	
Acquisition of treasury shares	-	-	-	-	-	(106)	-	-	-	-	-	-	(106)	-	(106)	
Share based payments expense	-	-	-	-	-	-	11	-	-	-	-	-	11	-	11	
Changes in ownership interests																
Purchase of non-controlling interest (refer note 2(b)(i))	-	-	(18)	-	-	-	-	-	-	-	-	-	(18)	(14)	(32)	
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change in non-controlling interest (refer note 2(b)(ii))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at 31 March 2022	2,713,665,096	72	7,700	1	2	(106)	11	374	4	50	61	1	8,170	12	8,182	
Balance as at 1 April 2022	2,713,665,096	72	7,700	1	2	(106)	11	374	4	50	61	1	8,170	12	8,182	
Profit for the year	-	-	1,837	-	-	-	-	-	-	-	-	-	1,837	(1)	1,836	
Other comprehensive income (refer note 3.19)	-	-	-	-	-	-	-	-	19	(440)	(51)	(1)	(473)	-	(473)	
Total comprehensive income for the year	-	-	1,837	-	-	-	-	-	19	(440)	(51)	(1)	1,364	(1)	1,363	
Transactions with owners of the Company																
Contributions and distributions																
Interim dividend of ₹48 per share	-	-	(1,614)	-	-	-	-	-	-	-	-	-	(1,614)	-	(1,614)	
Transfer to special economic zone re-investment reserve	-	-	(235)	-	-	-	-	235	-	-	-	-	-	-	-	
Transfer from special economic zone re-investment reserve	-	-	71	-	-	-	-	(71)	-	-	-	-	-	-	-	
Share based payments expense	-	-	-	-	-	-	38	-	-	-	-	-	38	-	38	
Issue of treasury shares to employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Excess tax benefit from share based payments	-	-	1	-	-	-	-	-	-	-	-	-	1	-	1	
Changes in ownership interests																
Change in non-controlling interest (refer note 3.21)	-	-	3	-	-	-	-	-	-	-	-	-	3	(12)	(9)	
Balance as at 31 March 2023	2,713,665,096	72	7,763	1	2	(106)	49	538	23	(390)	10	-	7,962	(1)	7,961	

* Includes treasury shares held by the controlled trust (refer note 3.9)

The accompanying notes are an integral part of the consolidated financial statements

HCL Technologies Limited
Consolidated Statement of Cash flows

(All amounts in millions of USD, except share data and as stated otherwise)

	Year ended	
	31 March 2023	31 March 2022
A. Cash flows from operating activities		
Profit before tax	2,413	2,270
Adjustment for:		
Depreciation and amortization expense	514	580
Interest income	(95)	(78)
Provision for doubtful debts / bad debts written off (net)	3	3
Income on investments carried at fair value through profit or loss	(14)	(13)
Profit on sale of debt securities	-	(1)
Interest expense	29	30
Profit on sale of property, plant and equipment (net)	(20)	(2)
Share based payments expense	38	11
Share of loss of an associate	-	-
Gain on Buyback of Senior notes	(21)	-
Other non-cash charges (net)	2	-
	2,849	2,800
Net change in		
Trade receivables	(400)	(376)
Inventories	(5)	28
Other financial assets and other assets	115	29
Trade payables	(22)	95
Other financial liabilities, contract liabilities, employee benefit provisions and other liabilities	153	151
Cash generated from operations	2,690	2,727
Income taxes paid (net of refunds)	(460)	(462)
Net cash flow from operating activities (A)	2,230	2,265
B. Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles	(206)	(221)
Proceeds from sale of property, plant and equipment	27	12
Payments for business acquisitions, net of cash acquired (refer note 2(a))	(92)	-
Net cash acquired on business acquisition (refer note 2(b)(ii))	-	5
Investments in bank deposits	(1,037)	(352)
Proceeds from bank deposits on maturity	557	384
Deposits placed with corporations	(323)	(735)
Proceeds from maturity of deposits placed with corporations	398	954
Purchase of investments in securities	(4,301)	(4,370)
Proceeds from sale/maturity of investments in securities	4,426	4,456
Investment in equity instruments	-	-
Investment in limited liability partnership	-	-
Distribution from limited liability partnership	-	-
Investment in associate	-	(1)
Proceeds from return of investment in associate	1	-
Interest received	79	79
Income taxes paid	(22)	(14)
Net cash flow from (used in) investing activities (B)	(493)	197
C. Cash flows from financing activities		
Proceeds from long term borrowings	4	3
Repayment of long term borrowings	(234)	(11)
Proceeds from short term borrowings	11	7
Repayment of short term borrowings	(11)	(7)
Payments for deferred and contingent consideration on business acquisitions	(4)	(50)
Purchase of non-controlling interest	-	(100)
Acquisition of treasury shares	-	(108)
Dividend paid	(1,614)	(1,528)
Dividend paid to non-controlling interest	-	-
Interest paid	(10)	(9)
Payment of lease liabilities including interest	(115)	(143)
Net cash flow used in financing activities (C)	(1,973)	(1,946)
Net increase (decrease) in cash and cash equivalents (A+B+C)	(236)	516
Effect of exchange differences on cash and cash equivalents held in foreign currency	(48)	(21)
Cash and cash equivalents at the beginning of the year	1,387	892
Cash and cash equivalents at the end of the year as per note 3.6 (a)	1,103	1,387

HCL Technologies Limited**Consolidated Statement of Cash flows**

(All amounts in millions of USD, except share data and as stated otherwise)

Notes:

1. Reconciliation of liabilities arising from financing activities

	Borrowings	Deferred and contingent consideration
Balance as at 1 April 2021	534	50
Cashflows (net)	(8)	(50)
Non cash changes		
Translation exchange differences	(1)	-
Recognized in profit or loss	1	-
Balance as at 31 March 2022	526	-
Balance as at 1 April 2022	526	-
Cashflows (net)	(230)	(4)
Non cash changes		
Business combination	-	10
Translation exchange differences	(2)	1
Recognized in profit or loss	(20)	-
Balance as at 31 March 2023	274	7

2. The total amount of income taxes paid is \$482 (previous year, \$476).

3. Cash and cash equivalents includes investor education and protection fund-unclaimed dividend of \$1 (previous year, \$1).

The accompanying notes are an integral part of the consolidated financial statements

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Limited (hereinafter referred to as “the Company” or “the Parent Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) are primarily engaged in providing a range of IT and business services, engineering and R&D services and modernized software products and IP-led offerings. The Company was incorporated under the provisions of the Companies Act applicable in India in November 1991, having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi- 110019. The Group leverages its global technology workforce and intellectual properties to deliver solutions across following verticals - Financial Services, Manufacturing, Life Sciences & Healthcare, Public Services, Retail & CPG, Technology & Services and Telecom, Media, Publishing and Entertainment.

The consolidated financial statements for the year ended 31 March 2023 were approved and authorized for issue by the Board of Directors on 20 April 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared under the historical cost convention on an accrual and going concern basis, except for the following assets and liabilities which have been measured at fair value:

- a) Derivative financial instruments,
- b) Certain financial assets and liabilities (refer accounting policy regarding financial instruments),
- c) Defined benefit plans

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

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

The Group uses the US Dollars (“\$”) as its reporting currency. All amounts are presented in millions rounded to whole number and amounts less than 0.50 million are presented as “-”.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of HCL Technologies Limited, the Parent Company, and its subsidiaries. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The Group controls an investee if and only if the Group has:

- a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- b) Exposure, or rights, to variable returns from its involvement with the investee, and
- c) The ability to use its power over the investee to affect its returns.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) The contractual arrangement with the other vote holders of the investee
- b) Rights arising from other contractual arrangements
- c) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries in the Group are added on a line-by-line basis and inter-company balances and transactions including unrealized gain/loss from such transactions, are eliminated upon consolidation. When the Group ceases control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in consolidated statement of profit and loss. Any interest retained in the former subsidiary is measured at fair value when control is ceased. The consolidated financial statements are prepared by applying uniform accounting policies in use by the Group.

An associate is an entity over which the Group has significant influence, but not control or joint control over financial and operating policies. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of profit or loss.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the consolidated financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Group may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in estimates are reflected in the consolidated financial statements in the year in which the changes are made.

Significant estimates and assumptions are used for, but not limited to,

- i. Accounting for costs expected to be incurred to complete performance under fixed price projects and determination of stand-alone selling prices for each distinct performance obligation in contracts involving multiple performance obligations, refer note 1(g)
- ii. Allowance for uncollectible trade receivables, refer note 1(u)(i)
- iii. Fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis in case of business combination, refer note 1(d)
- iv. Recognition of income and deferred taxes, refer note 1(j) and note 3.17
- v. Key actuarial assumptions for measurement of future obligations under employee benefit plans, refer note 1(s) and note 3.23
- vi. Estimated forfeitures in share-based compensation expense, refer note 1(t)
- vii. Useful lives of property, plant and equipment, refer note 1(k)
- viii. Lives of intangible assets, refer note 1(l)
- ix. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(o)
- x. Key assumptions used for impairment of goodwill, refer note 1(q) and note 3.2
- xi. Provisions and contingent liabilities, refer note 1(r) and note 3.25

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

(d) 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 and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at fair value. 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 or 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 in the statement of profit or loss as bargain purchase gain after reassessing the fair values of the net assets.

(e) Foreign currency and translation

The Group's consolidated financial statements are presented in US Dollars (\$) to facilitate the evaluation and comparison of Group's performance and financial position globally and the Parent Company's functional currency is Indian Rupee (INR). For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to the statement of profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group's entities 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 or 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. 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.

The translation of foreign operations from respective functional currency into USD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective years. The exchange differences arising on translation for consolidation are reported as a component of 'other comprehensive income (loss)'. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the statement of profit or loss.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

(f) Fair value measurement

The Group records certain financial assets and liabilities at fair value on a recurring basis. The Group 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 Group holds certain fixed income securities, equity securities and derivatives, 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 Group'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 IFRS 13, assets and liabilities at fair value are 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. These 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.

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(g) 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 Group 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.

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 the right to invoice for services performed.

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, system implementations and application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified.

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on the right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If 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.

Revenue from product sales are shown net of applicable taxes, discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Proprietary Software Products

Revenue from distinct proprietary perpetual and term license software is recognized at a point in time at the inception of the arrangement when control transfers to the client. Revenue from proprietary term license software is recognized at a point in time for the committed term of the contract. In case of renewals of proprietary term licenses with existing customers, revenue from term license is recognized at a point in time when the renewal is agreed on signing of contracts. Revenue from support and subscription (S&S) is recognized over the contract term on a straight-line basis as the Company is providing a service of standing ready to provide support, when-and-if needed, and is providing unspecified software upgrades on a when-and-if available basis over the contract term. In case software are bundled with support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided. Revenue from these proprietary software products is classified under sale of services.

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Multiple performance obligation

When a sales arrangement contains multiple performance obligation, 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 the Group would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We 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 group 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 which are expected to be recoverable under the contract and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future are considered as contract fulfillment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue or cost, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

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 Group is a principal to the transaction and net of costs when the Group is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Group is a principal or an agent, most notably being group controls 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.

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.

The Group recognizes an onerous contract provision when the expected unavoidable costs of meeting the future obligations exceed the expected economic benefits to be received under a contract. Such provision, if any, is recorded in the period in which such losses become probable and is included in cost of revenues.

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(All amounts in millions of USD, except share data and as stated otherwise)

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivables in the consolidated balance sheet. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and right to consideration is not unconditional. Contract assets are recognized where there is excess of revenue over the billings. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due). A contract liability arises when there is excess billing over the revenue recognized.

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method and is recognized as other income.

(h) Other income

Other income mainly comprises interest income on debt securities, bank and other deposits, other interest income recognized using the effective interest method, profit on sale of property, plant and equipments, debt securities and mutual fund and net foreign exchange gains.

(i) Cost recognition

Costs and expenses are recognised when incurred and have been classified according to their primary functions in the following categories:

Cost of revenue

These costs primarily include employee compensation including stock based compensation of personnel engaged in providing services, travel expenses, outsourcing costs, cost of hardware and software licenses, facility expenses, communication expenses and any other directly attributable expenses.

Research and development expenses

These costs primarily include employee compensation including stock based compensation for personnel engaged in research and development activities, travel expenses, communication expenses and facility expenses for these employees.

Selling, general and administrative expenses

These costs primarily include employee compensation including stock based compensation for management, sales, marketing and enabling personnel, travel expenses, advertising, business promotion expenses, bad debts and advances written off, allowance for doubtful trade receivables and advances, facility expenses for these employees.

(j) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit or 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.

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Deferred income tax assets and liabilities recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are recognized for those temporary differences which originate during the tax holiday period and are reversed after the tax holiday period. For this purpose, reversal of timing differences is determined using first-in-first-out method. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future.

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 or loss.

In some tax jurisdictions, the amount of tax deductions on share based payments to employees are different from the related cumulative remuneration expenses. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, such excess amount of tax deduction and the associated tax benefit is recognized directly in retained earnings.

(k) 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 Group 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 or 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 or 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.

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The management's estimates of the useful lives of various assets for computing depreciation are as follows:

<u>Asset description</u>	<u>Asset life (in years)</u>
Buildings	20
Plant and equipment (including air conditioners, electrical installations)	10
Office equipment	5
Computers and networking equipment	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 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.

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at their fair value at the date of acquisition. Subsequently, following initial recognition, intangible assets are carried at cost less any accumulated amortization and 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 or 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 or loss when the asset is derecognized.

The intangible assets are amortized over the estimated useful life of the assets as mentioned below except certain Licensed IPRs which include the right to modify, enhance or exploit are amortized in proportion to the expected benefits over the useful life which could range up to 15 years:

<u>Asset description</u>	<u>Asset life (in years)</u>
Software	3
Licensed IPRs	5 to 15
Customer relationships	1 to 10
Customer contracts	0.5 to 3
Technology	4 to 15
Others (includes intellectual property rights, brand and non-compete agreements)	2 to 6

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(m) Research and development costs

Research costs are expensed as incurred. Development expenditure, on an individual project, is recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Subsequently, following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization expense is recognized in the statement of profit or loss. During the period of development, the asset is tested for impairment annually.

(n) 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.

(o) 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.

Group as a lessee

Group is lessee in case of leasehold land, office space, accommodation for its employees & IT equipment. 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 IFRS 16.

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

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Group's incremental borrowing rate, which approximates the rate at which the Group would borrow, in the country where the lease was executed. The Group 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 Group is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

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The Group has elected to not recognize leases with a lease term of 12 months or less in the consolidated 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 consolidated statement of profit or loss. For all asset classes, the Group 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.

Group as a lessor

Leases in which the Group 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 or contingency is resolved.

Leases in which the Group 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 receivables at an amount equal to the present value of lease receivables. After initial recognition, the Group 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 consolidated statement of profit or loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit or loss.

When arrangements include multiple performance obligations, the Group allocates the consideration in the contract between the lease components and the non-lease components on a relative standalone selling price basis.

(p) Inventories

Stock-in-trade, stores and spares are valued at the lower of the cost or net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock-in-trade procured for specific projects is assigned by identifying individual costs of each item. Cost of stock-in-trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

(q) Impairment of non-financial assets

Goodwill

Goodwill is tested annually on March 31, for impairment, or sooner 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 Group'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.

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An impairment loss on goodwill recognized in the statement of profit or 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 recognized under the head "Depreciation and amortization expense" in the statement of profit or loss, is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

(r) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Group 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 Group 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 Group 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.

(s) Retirement and other employee benefits

- i. **Provident fund:** Employees of the Company and its subsidiaries in India receive benefits under the provident fund, a defined benefit plan. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Group or Government administered provident fund; while the balance contribution is made to the Government administered pension fund, a defined contribution plan. For the contribution made by the Company and its subsidiaries in India to the provident fund trust managed by the Group, the Company has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The liability is actuarially determined (using the projected unit credit method) at the end of the year. The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and, equity other eligible market securities.
- ii. In respect of superannuation, a defined contribution plan for applicable employees, the Company contributes to a scheme administered on its behalf by appointed fund managers and such contributions for each year of service rendered by the employees are charged to the statement of profit or loss. The Company has no further obligations to the superannuation plan beyond its contributions.
- iii. **Gratuity liability:** The Company and its subsidiaries in India provide 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 \$- (INR 2 million) 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 other comprehensive income in the year in which they occur.

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

- iv. **Compensated absences:** The employees of the Group 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 or loss in the year in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit or loss and are not deferred.
- v. In certain subsidiaries outside India, the Group provide retirement benefit pension plans in accordance with the local laws. The liability is actuarially determined (using the projected unit credit method) at the end of each year.
- vi. Contributions to other defined contribution plans in subsidiaries outside India are recognized as expense when employees have rendered services entitling them to such benefits.

(t) Equity settled share based compensation

Share-based compensation represents the cost related to share-based awards granted to employees. The Company measures share-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight line basis (net of estimated forfeitures) over the employee's requisite service period for an award with only service condition and for an award with both service and performance condition on a straight line basis over the requisite service period for each separately vesting portion of the award, as if award was in substance, multiple awards. On modification of an equity settled award, the Company re-estimates the fair value of stock option as on the date of modification and any incremental expense is expensed over the period from the modification date till the vesting date.

The Company estimates the fair value of stock options using option pricing model. The cost is recorded under the head employee benefit expense in the consolidated statement of profit or loss with corresponding increase in "Share Based Payment Reserve".

(u) 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. However, trade receivables that do not contain a significant financing component are measured at transaction price.

Cash and cash equivalents

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

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For the purposes of the cash flow statement, cash and cash equivalents are considered net of outstanding bank overdrafts that are repayable on demand and are considered part of the Group's cash management system. In the consolidated balance sheet, bank overdrafts are presented under borrowings within current liabilities.

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 or loss. The losses arising from impairment are recognized in the statement of profit or loss. This category includes cash and bank balances, loans, unbilled receivables, trade and other receivables.

Financial assets at Fair Value through Other Comprehensive Income (OCI)

A financial asset is classified and measured at fair value through OCI if both of the following criteria are met:

- i. The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- ii. The asset's contractual cash flows represent solely payments of principal and interest.

Financial asset 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. Interest income is recognized in statement of profit or loss for debt instruments. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit or loss.

Financial assets at Fair Value through Profit or 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 or loss. Financial assets included at the fair value through profit or loss category are measured at fair value with all changes recognized in the statement of profit or loss.

Equity investments

All equity instruments are initially measured at fair value and are subsequently re-measured with all changes recognized in the statement of profit or loss. In limited circumstances, investments, for which sufficient, more recent information to measure fair value is not available cost represents the best estimate of fair value within that range.

Derecognition of financial assets

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

Impairment of financial assets

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or 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 or loss.

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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 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 IFRS 9 are satisfied. Changes in fair value of such liability are recognized in the statement of profit or loss.

Financial liabilities at amortized cost

The Group's financial liabilities at amortized cost, are initially recognized at net of transaction costs and includes trade payables, borrowings including bank overdrafts and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit or loss. Gains and losses are recognized in the statement of profit or 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 or loss.

Derecognition

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

iii. Derivative financial instruments and hedge accounting

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with forecast transactions denominated in certain foreign currencies.

The Group recognizes all derivatives as assets or liabilities measured at their fair value. Changes in fair value for derivatives not designated in a hedge accounting relationship are marked to market at each reporting date and the related gains (losses) are recognized in the statement of profit or loss as 'foreign exchange gains (losses)'.

The foreign exchange forward contracts and options in respect of forecasted transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the fair value of derivatives (net of tax) that are designated as effective cash flow hedges are deferred and recorded in the hedging reserve account as a component of accumulated 'other comprehensive income (loss)' until the hedged transaction occurs and are then recognized in the statement of profit or loss. The ineffective portion of hedging derivatives is immediately recognized in other income (expenses) in the statement of profit or loss.

In respect of derivatives designated as hedges, the Group formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

Hedge accounting is discontinued prospectively from the last testing date when (1) it is determined that the derivative financial instrument is no longer effective in offsetting changes in the fair value or cash flows of the underlying exposure being hedged; (2) the derivative financial instrument matures or is sold, terminated or exercised; or (3) it is determined that designating the derivative financial instrument as a hedge is no longer appropriate. When hedge accounting is discontinued the deferred gains or losses on the cash flow hedge remain in 'other comprehensive income (loss)' until the forecast transaction occurs. Any further change in the fair value of the derivative financial instrument is recognized in current year earnings.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

(v) Dividend

Final dividend proposed by the Board of Directors is recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board of Directors. Final and interim dividend excludes dividend on treasury shares.

(w) Earnings per share (EPS)

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the Parent Company by the weighted average number of equity shares outstanding during the year adjusted for treasury shares held.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the Parent 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). Performance based stock unit awards are included in dilutive potential shares when they become contingently issuable and have a dilutive impact and are excluded when they are not contingently issuable. 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.

The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for bonus shares.

(x) Nature and purpose of reserves

Treasury share reserve

The Company's equity shares held by a trust, which is consolidated as a part of the Group, are classified as Treasury shares. Treasury shares are carried at acquisition cost and presented as a deduction from total equity as "Treasury share reserve". As and when treasury shares are transferred to employees on exercise after satisfaction of the vesting conditions, the amount received is recognized as an increase in equity, the balance lying in "Treasury share reserve" is transferred to "Retained earnings".

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilized only for limited purposes such as issuance of bonus shares and buyback of shares in accordance with the provisions of the Companies Act, 2013 in India.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

Capital redemption reserve

The Group recognizes cancellation of the Group's own equity instruments to capital redemption reserve.

Share based payment reserve

The share based payment reserve is recognized over the vesting period at the grant date fair value of units issued to employees of the Group under the Company's restricted stock unit plan.

Special economic zone re-investment reserve

The Company has created special economic zone (SEZ) re-investment reserve out of profits of the eligible SEZ Units in terms of the specific provisions of Section 10AA(1) of the Income Tax Act, 1961 ("the Act") in India. The said reserve needs to be utilized by the Company for acquiring plant and machinery for the purpose of its business in terms of Section 10AA(2) of the Act for availing tax benefit. Further, during the year ended 31 March 2022, utilization also includes additional acquisition of plant and machinery in the business of the Company which was not considered as utilization earlier due to an uncertain tax position which has been settled.

Remeasurement of defined benefit plans

The Group recognizes actuarial gains/losses on defined benefit plans in the balance sheet with a corresponding debit or credit to other comprehensive income in the period in which they occur.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognized in other comprehensive income as described in the accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

Cash flow hedging reserve

For hedging foreign currency risk, the Group uses foreign currency forward and option contracts. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognized in the cash flow hedging reserve. Amounts recognized in the cash flow hedging reserve is reclassified to the statement of profit or loss when the hedged item affects profit or loss.

Debt instruments through other comprehensive income

The Group recognizes changes in the fair value of debt instruments held with business objective of collect and sell in other comprehensive income. The Group transfers amounts from this reserve to the statement of profit or loss when the debt instrument is sold.

(y) Adoption of new accounting principles

Onerous contracts - cost of fulfilling a contract (amendment to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets)

The amendment clarified that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Group has adopted this amendment effective 1 April 2022 and the adoption did not have any material impact on its consolidated financial statements.

(z) Recently issued accounting pronouncements

Disclosure of accounting policies (amendments to IAS 1 - Presentation of Financial Statements)

In January 2020, the IASB issued final amendments in IAS 1, which clarifies that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability through any other asset or services. The amendments are effective for the fiscal year beginning April 01, 2024 including interim periods within those fiscal years and are to be applied retrospectively. The Group does not expect this amendment to have any significant impact in its consolidated financial statements.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

Disclosure of accounting policies (amendments to IAS 1 and IFRS practice statement 2 - Presentation of Financial Statements)

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' which intends to assist in deciding which accounting policies to disclose in the financial statements. The amendments to IAS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for the fiscal year beginning April 01, 2023 including interim periods within those fiscal years and are to be applied retrospectively. The Group does not expect this amendment to have any significant impact in its consolidated financial statements.

Definition of accounting estimate (amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)

In February 2021, IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments are effective for the fiscal year beginning April 01, 2023 including interim periods within those fiscal years and are to be applied retrospectively. The Group does not expect this amendment to have any significant impact in its consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12 - Income Taxes)

In May 2021, IASB issued 'targeted amendments to IAS 12', to specify how to account for deferred tax on transactions such as leases. The amendments clarify that lease transactions give rise to equal and offsetting temporary differences and financial statements should reflect the future tax impacts of these transactions through recognizing deferred tax. The amendments are effective for the fiscal year beginning April 01, 2023 including interim periods within those fiscal years. The Group is evaluating the impact, if any, in its consolidated financial statements.

Lease liability in a sale and leaseback (amendments to IFRS 16 - Leases)

In September 2022, IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)', to clarify how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction that satisfy the requirements in IFRS 15 to be accounted for as a sale. The Group is currently in the process of evaluating the impact that adoption of this amendment will have on its consolidated financial statements. The amendment is effective for the fiscal year beginning April 01, 2024 including interim periods within those fiscal years.

Disclosure of accounting policies (amendments to IAS 1 - Presentation of Financial Statements)

In October 2022, IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)', to clarify how conditions (covenants) specified in a long-term borrowing arrangement affect the current / non-current classification and disclosures. The Group is currently in the process of evaluating the impact that adoption of this amendment will have on its consolidated financial statements. The amendment is effective for the fiscal year beginning April 01, 2024 including interim periods within those fiscal years.

HCL Technologies Limited
Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

2. ACQUISITIONS

a) Acquisitions in the current year

i. Acquisition of Starschema Kft

On 14 January 2022, the Group through a wholly owned subsidiary had signed a definitive agreement to acquire 100% shareholding of Starschema, a leading provider of data engineering services, based in Budapest, Hungary for a consideration of \$45 payable in cash. Starschema provides consulting, technology and managed services in data engineering to companies in the U.S. and Europe.

The acquisition consummated on 2 April 2022 and the Group has paid \$45.

Total purchase consideration of \$45 has been allocated based on management estimates to the acquired assets and liabilities as follows:

	<u>Amount</u>
Net working capital (including cash of \$2)	5
Deferred tax liabilities, net	(1)
Property plant and equipment, net	1
Intangible assets	
Customer relationships	5
Customer contracts	1
Brand	4
Goodwill	30
Total purchase consideration	<u>45</u>

The resultant goodwill is non-tax deductible and has been allocated to the Engineering and R&D Services segment. The strategic acquisition will enhance HCL's capability in digital engineering, driven by data engineering and increase its presence in Central and Eastern Europe.

The table below shows the values and lives of intangible assets recognized on acquisition which will be amortized on straight line basis:

	<u>Amount</u>	<u>Life (Years)</u>
Customer relationships	5	4
Customer contracts	1	1
Brand	4	5
Total intangible assets	<u>10</u>	

In addition to the purchase consideration, \$2 is payable to certain key employees over a two-year period. Payment of this amount is contingent upon these employees continuing to be the employees of the Group on the payment date. This consideration is being accounted for as post acquisition employee compensation expense.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

ii. Acquisition of Confinale AG

On 06 May 2022, the Group through a wholly owned subsidiary had signed a definitive agreement to acquire 100% shareholding of Confinale AG, a digital banking and wealth management consulting specialist and Avaloq Premium Implementation Partner, based in Switzerland for a consideration of \$61 including contingent consideration of \$10 which is dependent on achievement of certain specified performance obligations as set out in the agreement to be achieved over a period of two years.

The acquisition consummated on 31 May 2022 and the Group has paid \$51 in cash. The Group has subsequently paid contingent consideration amounting to \$4 during the year ended 31 March 2023 on achievement of certain specified performance obligations as set out in the agreement.

The contingent consideration of \$10 has been initially fair valued at \$9 and recorded as part of the purchase consideration. The purchase consideration of \$60 after considering fair value of contingent consideration of \$9 has been allocated based on management estimates to the acquired assets and liabilities as follows:

	<u>Amount</u>
Net working capital (including cash of \$4)	6
Deferred tax liabilities, net	(4)
Property plant and equipment, net	-
Intangible assets	
Customer relationships	11
Customer contracts	2
Brand	6
Technology	2
Goodwill	37
Total purchase consideration	<u>60</u>

The resultant goodwill is non-tax deductible and has been allocated to the IT and Business Services segment. The strategic acquisition will allow HCL to gain market share in a fast growing market in financial services and digital wealth management technology solutions.

The table below shows the values and lives of intangible assets recognized on acquisition which will be amortized on straight line basis:

	<u>Amount</u>	<u>Life (Years)</u>
Customer relationships	11	4
Customer contracts	2	1
Brand	6	6
Technology	2	4
Total intangible assets	<u>21</u>	

In addition to the purchase consideration, \$4 is payable to certain key employees over a two and half years period. Payment of this amount is contingent upon these employees continuing to be the employees of the Group on the payment date. This consideration is being accounted for as post acquisition employee compensation expense.

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Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

iii. Acquisition of Quest Informatics Private Limited

On 12 July 2022, the Group through a wholly owned subsidiary had signed a definitive agreement to acquire 100% shareholding of Quest Informatics Private Limited (Quest) - an aftermarket, Industry 4.0 and IoT company, based in Bengaluru, India for a consideration of \$5 payable in cash. Quest serves global leaders in the aftermarket space with its cloud-enabled aftermarket ERP, field services management, and digital parts catalog product suites.

The acquisition consummated on 12 July 2022 and the Group has paid \$4 and balance is payable based on realization of net assets acquired as per the terms of the agreement.

Total purchase consideration of \$5 has been allocated based on management estimates to the acquired assets and liabilities as follows:

	<u>Amount</u>
Net working capital (including cash of \$2)	3
Investments	-
Deferred tax liabilities, net	-
Intangible assets - Technology	1
Goodwill	1
Total purchase consideration	<u>5</u>

The resultant goodwill is non-tax deductible and has been allocated to the HCL Software segment. This acquisition will help expand HCL's offerings into the fast-growing aftermarket space and the aftermarket solutions and products will be valuable to transportation and manufacturing clients globally in their digital transformation journey.

The acquired technology is estimated to have a life of 5 years which will be amortized on straight line basis.

b) Acquisitions in the previous year

i. Acquisition of non-controlling interest in Actian Corporation

In July 2018, the Group and Sumeru Equity Partners (SEP) had acquired Actian Corporation through a joint venture company in which the Group and SEP had 80.4% and 19.6% stake respectively. On 29 December 2021, as per the terms of the joint venture agreement, the Group acquired the balance 19.6% stake held by SEP for a cash consideration of \$100. The total cash consideration of \$100 was settled against financial liability of \$68 and non controlling interest of \$14 and balance \$18 was recognized against retained earnings.

ii. Acquisition of gbs - Gesellschaft für Bankssysteme GmbH (GBS)

In January 2022, the Group through a wholly owned subsidiary acquired 51% shares of GBS for a total purchase consideration of \$- (EUR 99 thousand). This acquisition will add an edge to Group's existing capabilities to accelerate digital transformation and further enhance HCL's scale in Germany. Purchase consideration of \$- (EUR 99 thousand) was allocated to cash and cash equivalent of \$5, net liabilities of \$5, and non-controlling interest of \$- (EUR 99 thousand).

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Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3. Notes to consolidated financial statements

3.1 Property, plant and equipment

The changes in the carrying value for the year ended 31 March 2023

	Freehold land	Buildings	Plant and equipment	Office Equipment	Computers and networking equipment	Furniture and fixtures	Vehicles #	Total
Gross block as at 1 April 2022	11	455	257	52	771	123	19	1,688
Additions	3	9	10	2	116	8	7	155
Acquired through business combinations	-	-	-	-	-	-	-	-
Disposals	2	7	12	3	19	11	5	59
Translation exchange differences	(1)	(35)	(17)	(3)	(45)	(6)	(1)	(108)
Gross block as at 31 March 2023	11	422	238	48	823	114	20	1,676
Accumulated depreciation as at 1 April 2022	-	168	178	40	461	90	10	947
Depreciation	-	21	19	4	126	9	4	183
Disposals/other adjustments	-	6	11	3	16	10	3	49
Translation exchange differences	-	(13)	(13)	(3)	(25)	(4)	(1)	(59)
Accumulated depreciation as at 31 March 2023	-	170	173	38	546	85	10	1,022
Net block as at 31 March 2023	11	252	65	10	277	29	10	654

Also refer footnote 1 of note 3.10

The changes in the carrying value for the year ended 31 March 2022

	Freehold land	Buildings	Plant and equipment	Office Equipment	Computers and networking equipment	Furniture and fixtures	Vehicles #	Total
Gross block as at 1 April 2021	11	447	254	52	735	126	20	1,645
Additions	-	27	14	5	155	7	5	213
Disposals	-	4	3	3	99	7	5	121
Translation exchange differences	-	(15)	(8)	(2)	(20)	(3)	(1)	(49)
Gross block as at 31 March 2022	11	455	257	52	771	123	19	1,688
Accumulated depreciation as at 1 April 2021	-	156	167	39	410	91	10	873
Depreciation	-	22	20	5	135	9	4	195
Disposals/other adjustments	-	4	3	3	70	7	4	91
Translation exchange differences	-	(6)	(6)	(1)	(14)	(3)	-	(30)
Accumulated depreciation as at 31 March 2022	-	168	178	40	461	90	10	947
Net block as at 31 March 2022	11	287	79	12	310	33	9	741

Also refer footnote 1 of note 3.10

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.2 Goodwill

The following table presents the changes in the carrying value of goodwill based on identified CGUs, for the year ended 31 March 2023

	IT and Business Services	Engineering and R&D services	HCL Software	Total
Opening balance as at 1 April 2022	887	383	1,029	2,299
Acquisitions through business combinations	37	30	1	68
Translation exchange differences	(27)	(25)	(55)	(107)
Closing balance as at 31 March 2023	897	388	975	2,260

The following table presents the changes in the carrying value of goodwill based on identified CGUs, for the year ended 31 March 2022

	IT and Business Services	Engineering and R&D services	HCL Software	Total
Opening balance as at 1 April 2021	901	394	1,056	2,351
Measurement period adjustments	1	-	-	1
Translation exchange differences	(16)	(11)	(27)	(54)
Closing balance as at 31 March 2022	887	383	1,029	2,299

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU, which benefits from the synergies of the acquisition.

Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired. Impairment is recognized, when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The estimated value-in-use of the CGU is based on the future cash flow forecasts for 5 to 7 years and then on perpetuity on the basis of certain assumptions which include revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirement. The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital". The key assumptions are as follows:

	As at	
	31 March 2023	31 March 2022
Revenue growth rate (average of next 5 to 7 years) (%)	(0.5) to 8.0	(2.3) to 9.6
Terminal revenue growth rate (%)	(3.7) to 2.0	(5.0) to 2.0
Pre-tax discount rate (%)	12.1 to 15.7	9.9 to 14.0

As at 31 March 2023 and 31 March 2022 the estimated recoverable amount of each CGU exceeded the carrying amount and accordingly, no impairment was recognized. An analysis of the sensitivity of the computation to a change in key assumptions based on reasonable probability did not identify any probable scenario in which the recoverable amount of the CGUs would decrease below the carrying amount.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.3 Other intangible assets

The changes in the carrying value for the year ended 31 March 2023

	Software	Licensed IPRs	Customer relationships	Customer contracts	Technology	Others	Total
Gross block as at 1 April 2022	128	749	1,004	23	399	16	2,319
Additions	18	-	5	2	-	-	25
Acquired through business combinations	-	-	16	3	3	10	32
Disposals / other adjustments	7	1	16	15	-	2	41
Translation exchange differences	(7)	(50)	(69)	(1)	(26)	(2)	(155)
Gross block as at 31 March 2023	132	698	940	12	376	22	2,180
Accumulated amortization and impairment as at 1 April 2022	115	334	409	21	148	6	1,033
Amortization	12	59	111	7	50	4	243
Disposals / other adjustments	7	-	16	15	-	2	40
Translation exchange differences	(7)	(24)	(30)	(1)	(10)	-	(72)
Accumulated amortization and impairment as at 31 March 2023	113	369	474	12	188	8	1,164
Net block as at 31 March 2023	19	329	466	-	188	14	1,016
Estimated remaining useful life (in years)	3	10	6	1	6	5	

The changes in the carrying value for the year ended 31 March 2022

	Software	Licensed IPRs	Customer relationships	Customer contracts	Technology	Others	Total
Gross block as at 1 April 2021	132	817	1,024	21	411	16	2,421
Additions	8	9	14	2	-	-	33
Disposals / other adjustments	9	50	-	-	-	-	59
Translation exchange differences	(3)	(27)	(34)	-	(12)	-	(76)
Gross block as at 31 March 2022	128	749	1,004	23	399	16	2,319
Accumulated amortization and impairment as at 1 April 2021	110	288	274	16	102	3	793
Amortization	16	75	146	5	50	3	295
Disposals / other adjustments	8	18	-	-	-	-	26
Translation exchange differences	(3)	(11)	(11)	-	(4)	-	(29)
Accumulated amortization and impairment as at 31 March 2022	115	334	409	21	148	6	1,033
Net block as at 31 March 2022	13	415	595	2	251	10	1,286
Estimated remaining useful life (in years)	3	11	7	2	7	4	

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.4 Investments

	As at	
	31 March 2023	31 March 2022
(a) Investment in associate accounted for using the equity method		
Nil (31 March 2022, 1,250,000 Series A Preferred Stock of USD 0.0001 each fully paid up, in Austin GIS, Inc.) (unquoted)	-	1
	-	1
(b) Financial assets		
Non - current		
Unquoted investments		
Carried at fair value through profit or loss		
Equity instruments	4	4
Investment in limited liability partnership	10	10
	14	14
Current		
Quoted investments		
Carried at fair value through other comprehensive income		
Investment in debt securities	438	499
Unquoted investments		
Carried at fair value through profit or loss		
Investment in mutual funds	217	324
	655	823
Total investments - financial assets	669	837
Aggregate amount of quoted investments	438	499
Aggregate amount of unquoted investments	231	338
Market value of quoted investments	438	499
Investment carried at fair value through other comprehensive income	438	499
Investment carried at fair value through profit or loss	231	338

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.5 Trade receivables

	As at	
	31 March 2023	31 March 2022
Non-Current		
Unbilled receivables	83	141
	83	141
Current		
Billed		
Trade receivables (refer note below)	2,438	2,101
Impairment allowance for bad and doubtful debts (refer note 3.21 (c))	(57)	(59)
	2,381	2,042
Unbilled receivables	722	685
	3,103	2,727

Note: Includes receivables from related parties amounting to \$- (31 March 2022, \$1)

3.6 Cash and cash equivalents and other bank balances

	As at	
	31 March 2023	31 March 2022
(a) Cash and cash equivalents		
Balance with banks	634	1,009
Deposits with original maturity of less than 3 months (including deposits with corporations and financial institutions with original maturity less than 3 months)	461	359
Cheques in hand	5	-
Remittances in transit	2	18
Unclaimed dividend account	1	1
	1,103	1,387
(b) Deposits with banks		
Deposits with remaining maturity up to 12 months	689	281

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.7 Other financial assets

	As at	
	31 March 2023	31 March 2022
Non - current		
Carried at amortized cost		
Finance lease receivables (refer note 3.20(b))	83	101
Security deposits	19	22
Bank deposits with more than 12 months maturity	46	-
	148	123
Carried at fair value through other comprehensive income		
Unrealized gain on derivative financial instruments (refer note 3.21 (a))	8	38
	156	161
Current		
Carried at amortized cost		
Finance lease receivables (refer note 3.20(b))	69	104
Interest receivable	34	28
Security deposits	9	8
Others	10	22
	122	162
Carried at fair value through other comprehensive income		
Unrealized gain on derivative financial instruments (refer note 3.21(a))	10	38
Carried at fair value through profit or loss		
Unrealized gain on derivative financial instruments (refer note 3.21(a))	4	1
	136	201

3.8 Other assets

	As at	
	31 March 2023	31 March 2022
Non - current		
Prepaid expenses	30	32
Deferred contract cost (refer note 3.13)	189	223
Capital advances	1	4
Security deposits	5	5
Others	1	-
	226	264
Current		
Prepaid expenses	200	195
Deferred contract cost (refer note 3.13)	115	114
Contract assets	76	64
Advances to suppliers	13	15
Security deposits	8	7
Advances to employees	6	4
Others	47	73
	465	472

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Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.9 Equity share capital

	As at	
	31 March 2023	31 March 2022
Authorized 3,017,000,000 (31 March 2022, 3,017,000,000) equity shares of INR 2 each	79	79
Issued, subscribed and fully paid up 2,713,665,096 (31 March 2022, 2,713,665,096) equity shares of INR 2 each	72	72

Terms / rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of INR 2/-. 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 2023		31 March 2022	
	No. of shares	\$ Millions	No. of shares	\$ Millions
Number of shares at the beginning	2,713,665,096	72	2,713,665,096	72
Number of shares at the end	2,713,665,096	72	2,713,665,096	72

The Company does not have any holding / ultimate holding company.

Reconciliation of the number of treasury shares held by controlled trust at the end of the financial year

	As at	
	31 March 2023	31 March 2022
	No. of shares	No. of shares
Number of shares at the beginning	6,320,000	-
Add: Acquisition of shares by the Trust	-	6,320,000
Less: Issue of treasury shares to employees on exercise of RSUs	(19,847)	-
Number of shares at the end	6,300,153	6,320,000

Capital management

The primary objective of the Group's capital management is to support business continuity and growth of the company while maximizing the shareholder value. The Group has been declaring quarterly dividend for last 20 years. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements have been generally met through operating cash flows generated. The Company has also taken borrowings to meet local funding requirements in certain foreign subsidiaries.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.9 Equity share capital (continued)

Restricted Stock Unit Plan 2021 (“RSU 2021” or “Plan”)

In November 2021, the Company instituted the Restricted Stock Unit Plan 2021 to provide equity-based incentives to all eligible employees of the Company and its subsidiaries. The Plan is administered by the Nomination and Remuneration Committee (NRC) of the Company through a controlled Trust. A maximum of 11,100,000 Restricted stock units (RSU) may be granted under the Plan. Each RSU granted under the plan entitles the holder to one equity share of the Company at an exercise price, which is approved by the Nomination and Remuneration Committee.

NRC granted RSUs to the eligible employees of the Company and its subsidiaries under the Plan. Subsequent to this grant, the Trust acquired shares from secondary market for the purpose of implementation of the Plan.

A summary of the general terms of grants under RSU 2021 plan is as below:

	RSU Plan 2021
Maximum number of RSUs under the plan	11,100,000
Method of settlement (cash / equity)	Equity
Vesting period (maximum)	5 years
Exercise period from the date of vesting (maximum)	6 months

Each RSU granted under the above plan entitles the holder to one equity share of the Company at an exercise price of ₹2.

The details of activity under the plan has been summarized below:-

	Year ended			
	31 March 2023		31 March 2022	
	No. of RSUs	Weighted average exercise price (₹)	No. of RSUs	Weighted average exercise price (₹)
Outstanding at the beginning of the year	7,765,791	2	-	-
Add: Granted during the year	726,164	2	7,956,616	2
Less: Forfeited during the year	(718,540)	-	190,825	-
Less: Exercised during the year	(19,847)	2	-	-
RSUs outstanding at the end of the year	7,753,568	2	7,765,791	2
RSUs exercisable at the end of the year	137,537	2	-	-

Total number of RSUs granted include 1,524,526 (31 March 2022 1,476,879) performance based RSUs, including those linked to relative performance parameters against select industry peers, given to certain senior employees. Number of shares expected to vest will be based on actual performance for each of the performance parameters. All other RSUs will vest if the employee continues to be in service on the roles of the Company or its subsidiaries on the vesting date.

Outstanding performance based RSUs includes 282,008 (31 March 2022 356,383) RSUs granted for which performance targets will be finalized and communicated in subsequent years. Cost for these RSUs will be accounted from date of finalization of performance targets.

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.9 Equity share capital (continued)

The details of exercise price for RSUs outstanding is as below:

Name of the plan	Exercise price (₹)	Number of RSUs outstanding	Weighted average remaining contractual life of RSUs (in years)
Restricted Stock Unit Plan 2021			
At 31 March 2023	2	7,753,568	1.4
At 31 March 2022	2	7,765,791	2.3

The fair value of the awards are determined using the Black-Scholes Model for RSUs with time and non-market performance-based vesting conditions and Monte Carlo simulation model is used for RSUs with market performance based vesting conditions. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, expected term and the risk-free rate of interest. Expected volatility during the term of the RSUs is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the RSUs. Expected volatility of the selected industry peers have been modelled based on historical movements in the market prices of their publicly traded equity shares during a period equivalent to the expected term of the RSUs. Correlation coefficient is calculated between each peer entity based on the historical weekly share prices of the companies.

The fair value of each equity-settled award granted during the year is estimated on the date of grant using the following assumptions:

	Year ended	
	31 March 2023	31 March 2022
Weighted average fair value (₹)	922	1,046
Weighted average share price (₹)	1,048	1,171
Exercise Price (₹)	2	2
Expected Volatility (%)	25.7 - 33.6	24.8 - 34.4
Life of the RSUs granted (vesting and exercise period) in years	1.3 - 3.9	1.3 - 3.8
Expected dividends (%)	3.6 - 5.1	3.4
Average risk-free interest rate (%)	4.9 - 7.1	4.2 - 5.4

The expected life of the RSU is estimated based on the vesting term and contractual term of the RSU, as well as expected exercise behavior of the employee who receives the RSU.

For the years ended 31 March 2023 and 2022, share based payments expense related to the RSU plan recognized in the statement of profit or loss is as follows:

	Year ended	
	31 March 2023	31 March 2022
Cost of revenues	9	3
Research and development expenses	-	-
Selling, general and administrative expenses	29	8
	38	11

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.10 Borrowings

	Non-current		Current	
	As at		As at	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Long term borrowings				
Secured				
Term loans from banks (refer note 1 below)	5	4	2	2
Unsecured				
Senior notes (refer note 2 below)	251	496	-	-
Term loans from banks (refer note 3 below)	1	18	15	6
	257	518	17	8
Less: current maturities of long term borrowings	-	-	(17)	(8)
	257	518	-	-
Short term borrowings				
Unsecured				
Current maturities of long term borrowings	-	-	17	8
	-	-	17	8

Note:

1. The Group has term loans of \$7 (31 March 2022, \$6) secured against gross block of vehicles of \$17 (31 March 2022, \$17) at interest rates ranging from 7.45% p.a. to 9.15% p.a. (31 March 2022, 7.70% p.a. to 9.15% p.a.). The loans are repayable over a period of 3 to 5 years on a monthly basis.

2. On 10 March 2021, the Group issued unsecured senior notes of USD 500 (the "notes"). The notes bear interest at a rate of 1.375% per annum and will mature on 10 March 2026. Interest on the notes will be paid semi-annually on 10 March and 10 September of each year. The notes are listed on Singapore Exchange Securities Trading Limited (SGX-ST). The notes were issued at the discount price of 99.510% against par value and have an effective interest rate of 1.58% p.a. after considering the issue expenses and discount of \$5.

On 21 February 2023, the Group bought back USD 248 million senior notes (carried at USD 246 million, net of issue expenses and discount) for USD 225 million. The resulting gain of USD 21 million on derecognition of senior notes has been recognized in "other income".

3. Unsecured long term loans of \$16 (31 March 2022, \$24) borrowed from banks at interest rate ranging from 8.35% p.a. to 8.70% p.a. (31 March 2022, 7.00% p.a.). The scheduled principal repayments of term loans are as follows:

	As at	
	31 March 2023	31 March 2022
Within one year	15	6
One to two years	1	16
Two to three years	-	2
	16	24

HCL Technologies Limited
Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.11 Other financial liabilities

	As at	
	31 March 2023	31 March 2022
Non - current		
Carried at amortized cost		
Employee bonuses accrued	2	6
Capital accounts payables	37	53
Others	9	-
	48	59
Carried at fair value through other comprehensive income		
Unrealized loss on derivative financial instruments (refer note 3.21(a))	2	-
Carried at fair value through profit or loss		
Others	12	-
	12	-
	62	59
Current		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	327	324
Other employee costs	192	181
Liabilities towards customer contracts	43	34
Capital accounts payables	54	82
Deferred consideration	1	-
Others	9	8
	626	629
Carried at fair value through other comprehensive income		
Unrealized loss on derivative financial instruments (refer note 3.21(a))	1	-
Carried at fair value through profit or loss		
Unrealized loss on derivative financial instruments (refer note 3.21(a))	1	4
Contingent consideration	6	-
	7	4
	634	633

3.12 Provisions and other liabilities

	As at	
	31 March 2023	31 March 2022
(a) Provisions		
Non-current		
Provision for employee benefits		
Provision for gratuity (refer note 3.23)	78	92
Provision for pension (refer note 3.23)	14	18
Provision for leave benefits	68	77
	160	187
Current		
Provision for employee benefits		
Provision for gratuity (refer note 3.23)	23	19
Provision for pension (refer note 3.23)	-	-
Provision for leave benefits	101	107
Other provisions	12	-
	136	126
(b) Other liabilities		
Non - current		
Other deposits	5	4
	5	4
Current		
Advances received from customers	31	29
Withholding and other taxes payable	163	138
	194	167

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.13 Revenues

The disaggregated revenue from contracts with the customers by nature of services is as follows:

	Year ended	
	31 March 2023	31 March 2022
Sale of services	12,284	11,245
Sale of hardware and software	302	236
	12,586	11,481

Revenue disaggregation as per geography has been included in segment information (refer note 3.22).

Remaining performance obligations

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc). As at 31 March 2023, the aggregate amount of transaction price allocated to remaining performance obligation as per the requirements of IFRS 15 was \$12,121 (31 March 2022, \$11,276) out of which, approximately 39% (31 March 2022, 41%) is expected to be recognized as revenues within one year and the balance beyond one year. These amounts are not adjusted for variable consideration allocated to remaining performance obligation, which are not probable. These amounts also exclude contracts for which we recognize revenues based on the right to invoice for services performed and contracts where consideration is in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

Contract assets : Out of \$76 contract assets as on 31 March 2023, \$1 pertains to the period prior to 31 March 2022 and the balance pertains to current year.

Contract liabilities:

The below table discloses the movement in balances of contract liabilities :

	Year ended	
	31 March 2023	31 March 2022
Balance as at beginning of the year	533	492
Additional amounts billed but not recognized as revenue	390	294
Deduction on account of revenues recognized during the year	(328)	(238)
Translation exchange differences	(23)	(15)
Balance as at end of the year	572	533

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.13 Revenue from operations (continued)

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

The below table discloses the movement in balance of deferred contract cost:

	Year ended	
	31 March 2023	31 March 2022
Balance as at beginning of the year	337	287
Additional cost capitalised during the year	88	139
Deduction on account of cost amortised during the year	(111)	(82)
Translation exchange differences	(10)	(7)
Balance as at end of the year	304	337

3.14 Expenses

Expenses are recognised when incurred and have been classified according to their primary functions. The below table discloses the expenses by nature:

	Year ended	
	31 March 2023	31 March 2022
Employee benefits expense	6,861	6,185
Outsourcing costs	1,855	1,678
Cost of hardware and softwares sold	249	188
Rent	8	9
Power and fuel	41	39
Insurance	14	15
Repair and maintenance	95	84
Travel and conveyance	153	74
Software license fee	129	123
Communication costs	62	63
Legal and professional charges	68	72
Rates and taxes	28	17
Recruitment, training and development	69	69
Expenditure toward corporate social responsibility activities	30	30
Provision for doubtful debts / bad debts written off (net)	3	3
Other expenses	119	82
Total cost of revenues, research and development expenses, selling, general and administrative expenses	9,784	8,731

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.15 Other income (expenses), net

	Year ended	
	31 March 2023	31 March 2022
Interest income		
- On debt securities	24	25
- On bank and other deposits	62	39
- On others	9	14
Profit on sale of debt securities	-	1
Income on investments carried at fair value through profit or loss		
- Unrealized gains (loss) on fair value changes on mutual funds	1	-
- Profit on sale of mutual funds	13	12
- Share of profit (loss) in limited liability partnership	-	2
- Unrealized (loss) on fair value changes on equity instruments	-	(1)
Profit on sale of property, plant and equipments (net) (refer note below)	20	2
Exchange differences (net)	11	44
Gain on Buyback of Senior notes (refer note 3.10)	21	-
Miscellaneous income	8	5
	169	143

Note : Net of loss on sale of property, plant and equipments of \$1 (previous year \$1)

3.16 Finance costs

	Year ended	
	31 March 2023	31 March 2022
Interest		
-on loans from banks	3	1
-on senior notes	7	8
-on lease liabilities	13	15
-on direct taxes	6	6
-others	11	3
Fair value changes on liabilities carried at fair value through profit or loss	-	6
Bank charges	4	4
	44	43

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.17 Income taxes

	Year ended	
	31 March 2023	31 March 2022
Income tax charged to statement of profit or loss		
Current income tax charge	580	462
Deferred tax credit	(3)	(2)
	577	460
Income tax charged to other comprehensive income		
Expense (benefit) on re-measurements of defined benefit plans	8	2
Expense (benefit) on revaluation of cash flow hedges	(10)	-
Expense (benefit) on unrealized gain (loss) on debt instruments	-	(1)
	(2)	1

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

	As at	
	31 March 2023	31 March 2022
Profit before tax	2,413	2,270
Statutory tax rate in India	34.94%	34.94%
Expected income tax expense	843	793
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense		
Non-taxable export income	(222)	(228)
Non-taxable other income	(5)	(5)
Provision (reversal) due to settlement of uncertain tax positions and prior period provisions	1	(58)
Differences between Indian and foreign tax rates	(52)	(44)
Others (net)	12	2
Total income tax expense	577	460
Effective income tax rate	23.90%	20.26%

In India, the company has benefited from certain tax incentives that the Government of India has provided for the units situated in Special Economic Zones (SEZs) under the Special Economic Zone Act, 2005, which began providing services on or after 1 April 2005. The eligible units are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from the year of commencement of operations and 50% of such profits and gains for the next five years. Certain tax benefits are also available for a further period of five years subject to meeting reinvestment conditions. The aforesaid tax benefits will not be available to units having commenced the operations after 31 March 2021.

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

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.17 Income taxes (continued)

In India, 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 ('new tax regime'). The Company will opt for new tax regime in the year new tax regime is beneficial to the Company.

The tax returns are subject to examination by the tax authorities in the jurisdictions where the Group conducts business. The Group's two major tax jurisdictions are India and USA. Tax examination is open in USA for tax years beginning 1 April 2017 onwards and for India, regular tax examination is open for tax years beginning April 1, 2019 and certain matters relating to prior years for which the tax assessment has already got concluded are subject to ongoing litigations, appeals and reassessment proceedings. There are significant inter-company transactions with USA and UK. The Company has also filed for bilateral advance pricing agreements in certain jurisdictions starting from 1 April 2017 for which the resolutions are yet to be reached. These may result in assessment of additional taxes that may need to be resolved with the authorities or through legal proceedings. Resolution of these matters involves some degree of uncertainty; accordingly, the Group recognizes income tax liability that it believes will ultimately result from the proceedings.

Components of deferred tax assets and liabilities as on 31 March 2023

	Opening balance	Recognized in profit or loss	Recognised in / reclassified from OCI	Acquisitions	Recognized directly in equity against tax liability	Exchange difference	Closing balance
Deferred tax assets							
Business losses	7	-	-	-	-	-	7
MAT credit entitlement	313	(34)	-	-	-	(24)	255
Provision for doubtful debts	16	1	-	-	-	(1)	16
Accrued employee costs	128	12	(8)	-	-	(6)	126
Property, plant and equipment	3	1	-	-	-	-	4
Employee stock compensation	2	7	-	-	1	-	10
Others	58	9	-	-	-	(4)	63
Gross deferred tax assets (A)	526	(4)	(8)	-	1	(35)	481
Deferred tax liabilities							
Property, plant and equipment	25	(2)	-	-	-	(1)	22
Unrealized gain on derivative financial instruments	13	-	(10)	-	-	(1)	2
Intangibles and goodwill	326	(9)	-	5	-	(24)	298
Others	22	4	-	-	-	-	26
Gross deferred tax liabilities (B)	386	(7)	(10)	5	-	(26)	348
Net deferred tax assets (A-B)	140	3	2	(5)	1	(9)	132

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.17 Income taxes (continued)

Components of deferred tax assets and liabilities as on 31 March 2022

	Opening balance	Recognized in profit or loss	Recognised in/ reclassified from OCI	Acquisitions	Exchange difference	Closing balance
Deferred tax assets						
Business losses	4	2	-	-	1	7
MAT credit entitlement	308	18	-	-	(13)	313
Provision for doubtful debts	17	(1)	-	-	-	16
Accrued employee costs	130	(4)	(2)	-	5	128
Property, plant and equipment	3	-	-	-	-	3
Employee stock compensation	-	2	-	-	-	2
Others	60	4	-	-	(5)	58
Gross deferred tax assets (A)	522	21	(2)	-	(13)	526
Deferred tax liabilities						
Property, plant and equipment	21	3	-	-	1	25
Unrealized gain on derivative financial instruments	13	-	-	-	-	13
Intangibles and goodwill	323	16	-	-	(13)	326
Others	24	-	(1)	-	(1)	22
Gross deferred tax liabilities (B)	381	19	(1)	-	(13)	386
Net deferred tax assets (A-B)	141	2	(1)	-	-	140

The Company's subsidiaries have recognized deferred tax assets on carry forward business losses which can be utilized against profits within the limit and carryover period permitted under laws of respective jurisdictions. Deferred tax assets primarily related to carried forward losses and other temporary differences for certain subsidiaries amounting to \$14 (31 March 2022, \$12) was not recognized as per applicable accounting standards. These tax losses can be carried forward for an indefinite period except for tax losses amounting to \$4 (31 March 2022, \$2) which will expire by 31 March 2031 (previous year, 31 March 2030).

Above tables represent the Gross deferred tax assets and liabilities. Amounts of deferred tax assets and liabilities presented in consolidated balance sheet have been offset, wherever the Group has legally enforceable right and it is related to same taxable authority.

Undistributed earnings of the subsidiaries aggregate approximately \$2,961 (31 March 2022, \$2,463). The Group has the intent to reinvest the undistributed foreign earnings indefinitely in its significant overseas operations or repatriate only to the extent these can be distributed in a tax free manner. Consequently, the Company did not record a deferred tax liability on the undistributed earnings.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.18 Earnings Per Equity Share

The computation of earnings per equity share is as follows:

	Year ended	
	31 March 2023	31 March 2022
Profit for the year attributable to shareholders of the Company	1,837	1,807
Weighted average number of equity shares outstanding in calculating basic EPS	2,707,383,472	2,712,044,398
Dilutive effect of Restricted Stock Units outstanding	3,315,727	383,404
Weighted average number of equity shares outstanding in calculating diluted EPS	2,710,699,199	2,712,427,802
Nominal value of equity shares (in ₹)	2	2
Earnings per equity share (in USD)		
- Basic	0.68	0.67
- Diluted	0.68	0.67

3.19 Components of other comprehensive income attributable to shareholders of the Company

	Year ended	
	31 March 2023	31 March 2022
<u>A. Items that will not be reclassified subsequently to statement of profit or loss</u>		
Remeasurement of defined benefit plans		
Opening balance (net of tax)	4	(1)
Actuarial gains	27	7
Income tax expense	(8)	(2)
Effect of exchange fluctuations	-	-
Closing balance (net of tax)	23	4
<u>B. Items that will be reclassified subsequently to statement of profit or loss</u>		
Foreign currency translation reserve		
Opening balance	50	281
Foreign currency translation	(440)	(230)
Attributable to non controlling interest	-	(1)
Closing balance	(390)	50
Cash flow hedging reserve		
Opening balance (net of tax)	61	25
Unrealized gains (losses)	(46)	71
Net gain reclassified into statement of profit or loss on occurrence of hedged transactions	(11)	(34)
Income tax benefit	10	-
Effect of exchange fluctuations	(4)	(1)
Closing balance (net of tax)	10	61
Unrealized gain on debt instruments		
Opening balance (net of tax)	1	3
Unrealized losses	(1)	(3)
Income tax benefit	-	1
Closing balance (net of tax)	-	1
TOTAL (B)	(380)	112

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.20 Leases**(a) Group as a lessee**

The Group's significant leasing arrangements are in respect of leases for office spaces, leasehold land and IT equipments.

The details of the right-of-use assets held by the Group is as follows:

	Leasehold land	Buildings	Computers and networking equipment	Total
Balance as at 1 April 2021	38	271	20	329
Depreciation	(1)	(80)	(9)	(90)
Additions	9	56	27	92
Derecognition	-	(8)	(10)	(18)
Translation exchange differences	(2)	(7)	-	(9)
Balance as at 31 March 2022	44	232	28	304
Balance as at 1 April 2022	44	232	28	304
Depreciation	(1)	(76)	(11)	(88)
Additions	-	64	36	100
Acquired through business combinations	-	3	-	3
Derecognition	(1)	(18)	(2)	(21)
Translation exchange differences	(3)	(11)	-	(14)
Balance as at 31 March 2023	39	194	51	284

The reconciliation of lease liabilities is as follows:

	Year ended	
	31 March 2023	31 March 2022
Balance as at beginning of the year	311	355
Additions	131	106
Amounts recognized in statement of profit or loss as interest expense	13	15
Payment of lease liabilities	(115)	(143)
Acquired through business combinations	3	-
Derecognition	(20)	(12)
Translation exchange differences	(15)	(10)
Balance as at end of the year	308	311

The lease rental expense relating to short-term leases recognized in the statement of profit or loss for the year amounted to \$8 (previous year, \$9).

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.20 Leases (continued)

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities:

	As at	
	31 March 2023	31 March 2022
Within one year	118	104
One to two years	87	88
Two to three years	58	59
Three to five years	63	69
Thereafter	12	22
Total lease payments	338	342
Imputed interest	(30)	(31)
Total lease liabilities	308	311

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.

(b) Group as a lessor

The Group has given IT equipments to its customers on a finance lease basis. The future lease receivables in respect of assets given on finance lease are as follows:

	Total minimum lease payments receivable	Interest included in minimum lease payments receivable	Present value of minimum lease payments receivable
As at 31 March 2023			
Not later than one year	74	5	69
Later than one year and not later than 5 years	89	6	83
	163	11	152
As at 31 March 2022			
Not later than one year	108	4	104
Later than one year and not later than 5 years	105	4	101
	213	8	205

3.21 Financial instruments

(a) Derivatives

The Group is exposed to foreign currency fluctuations on assets / liabilities and forecasted cash flows denominated in foreign currency and interest rate fluctuation risk on indebtedness. The use of derivatives to hedge the risk is governed by the Group's strategy, which provides principles on the use of such forward contracts and currency options consistent with the Group's risk management policy. The counterparties in these derivative instruments are banks and the Group considers the risks of non-performance by the counterparties as insignificant. The Group has entered into a series of foreign exchange forward contracts and options that are designated as cash flow hedges and the related forecasted transactions extend through March 2028. The Group does not use these derivative instruments for speculative purposes.

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Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)

The following table presents the aggregate notional principal amounts of the outstanding derivative instruments which have been designated as cash flow hedges:

Foreign exchange forward denominated in	Notional Currency	Notional principal amounts (amount in millions)		Balance sheet exposure Asset (Liability) (amount in millions \$)	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
Forward contracts (Sell covers)					
USD / INR	USD	1,622	1,461	(9)	40
GBP / INR	GBP	90	60	2	4
EUR / INR	EUR	170	117	6	14
CHF / INR	CHF	55	46	-	2
SEK / INR	SEK	330	585	5	7
AUD / INR	AUD	96	103	4	1
NOK / INR	NOK	60	105	1	-
CAD / INR	CAD	26	31	1	-
JPY / INR	JPY	6,655	1,945	2	2
Range Forward (Sell covers)					
USD / INR	USD	599	305	3	3
GBP / INR	GBP	7	-	-	-
EUR / INR	EUR	6	29	-	3
				15	76

The Group has entered into derivative instruments not designated as hedging relationship by way of foreign exchange forwards, currency options and futures contracts. As at 31 March, 2023 and 2022, the notional principal amount of outstanding contracts aggregated to \$1,093 and \$921, respectively and the respective balance sheet exposure of these contracts have a net gain of \$3 and a net loss of \$3.

The notional amount is a key element of derivative financial instrument agreements. However, notional amounts do not represent the amount exchanged by counterparties and do not measure the Group's exposure to credit risk as these contracts are settled at their fair values at the maturity date.

The balance sheet exposure denotes the fair values of these contracts at the reporting date and is presented in \$ millions. The Group presents its foreign exchange derivative instruments on a net basis in the consolidated financial statements due to the right of offset by its individual counterparties under master netting agreements.

The fair value of the derivative instruments presented on a gross basis as at each date indicated below is as follows:

	As at 31 March 2023				
	Financial assets		Financial liabilities		Total fair value
	Current	Non current	Current	Non current	
Derivatives designated as hedging instruments					
Foreign exchange contracts in an asset position	20	14	10	6	50
Foreign exchange contracts in a liability position	(10)	(6)	(11)	(8)	(35)
Net asset (liability)	10	8	(1)	(2)	15
Derivatives not designated as hedging instruments					
Foreign exchange contracts in an asset position	8	-	4	-	12
Foreign exchange contracts in a liability position	(4)	-	(5)	-	(9)
Net asset (liability)	4	-	(1)	-	3
Total Derivatives at fair value	14	8	(2)	(2)	18

HCL Technologies Limited
Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)

The fair value of the derivative instruments presented on a gross basis as at each date indicated below is as follows:

	As at 31 March 2022				Total fair value
	Financial assets		Financial liabilities		
	Current	Non current	Current	Non current	
Derivatives designated as hedging instruments					
Foreign exchange contracts in an asset position	38	38	1	-	77
Foreign exchange contracts in a liability position	-	-	(1)	-	(1)
Net asset (liability)	38	38	-	-	76
Derivatives not designated as hedging instruments					
Foreign exchange contracts in an asset position	3	-	2	-	5
Foreign exchange contracts in a liability position	(2)	-	(6)	-	(8)
Net asset (liability)	1	-	(4)	-	(3)
Total Derivatives at fair value	39	38	(4)	-	73

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets as at each date indicated:

	As at	
	31 March 2023	31 March 2022
Derivatives designated as hedging instruments		
Unrealized gain on financial instruments classified under current assets	10	38
Unrealized gain on financial instruments classified under non-current assets	8	38
Unrealized loss on financial instruments classified under current liabilities	(1)	-
Unrealized loss on financial instruments classified under non-current liabilities	(2)	-
	15	76
Derivatives not designated as hedging instruments		
Unrealized gain on financial instruments classified under current assets	4	1
Unrealized loss on financial instruments classified under current liabilities	(1)	(4)
	3	(3)

Maturity profile of derivative liabilities based on contractual payments is as below:

	As at	
	31 March 2023	31 March 2022
Within one year	2	4
One to two years	1	-
Two to three years	1	-
Three to five years	-	-
	4	4

The following table summarizes the activities in the consolidated statement of profit or loss and other comprehensive income:

	Year ended	
	31 March 2023	31 March 2022
Derivatives in hedging relationships		
Effective portion of gain or (loss) recognized in OCI on derivatives	(46)	71
Effective portion of gain reclassified from OCI into statement of profit or loss as "exchange differences"	11	34
Derivatives not in hedging relationships		
Gain or (loss) recognized into statement of profit or loss as "exchange differences"	(33)	8

HCL Technologies Limited
Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)

The following table summarizes the activity in 'Other comprehensive income' related to all derivatives classified as cash flow hedges:

	Year ended	
	31 March 2023	31 March 2022
Gain as at the beginning of the year	74	38
Unrealized gain (loss) on cash flow hedging derivatives during the year	(46)	71
Net gain reclassified into statement of profit or loss on occurrence of hedged transactions	(11)	(34)
Translation exchange differences	(4)	(1)
Gain as at the end of the year	13	74
Deferred tax liability	(3)	(13)
Cash flow hedging reserve (net of tax)	10	61

The estimated net amount of existing gain that is expected to be reclassified into the statement of profit or loss within the next twelve months is \$6 (previous year, \$36).

(b) Financial assets and liabilities

The carrying value of financial instruments by categories is as follows:

	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total carrying value
As at 31 March 2023				
Financial assets				
Investments	231	438	-	669
Trade receivables (including unbilled)	-	-	3,186	3,186
Cash and cash equivalents	-	-	1,103	1,103
Deposits with banks	-	-	689	689
Deposits with Corporation	-	-	317	317
Other financial assets	4	18	270	292
Total	235	456	5,565	6,256
Financial liabilities				
Borrowings	-	-	274	274
Lease liabilities	-	-	308	308
Trade payables (including unbilled and accruals)	-	-	782	782
Other financial liabilities	19	3	674	696
Total	19	3	2,038	2,060
As at 31 March 2022				
Financial assets				
Investments	338	499	-	837
Trade receivables (including unbilled)	-	-	2,868	2,868
Cash and cash equivalents	-	-	1,387	1,387
Deposits with banks	-	-	281	281
Deposit with Corporation	-	-	423	423
Other financial assets	1	76	285	362
Total	339	575	5,244	6,158
Financial liabilities				
Borrowings	-	-	526	526
Lease liabilities	-	-	311	311
Trade payables (including unbilled and accruals)	-	-	828	828
Other financial liabilities	4	-	688	692
Total	4	-	2,353	2,357

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)**Transfer of financial assets**

The Group in the normal course of business sells certain trade receivables and net investment in finance lease receivables to banks. Under the terms of arrangements, the Group surrenders control over these assets and transfer is on a non-recourse basis.

During the year ended 31 March 2023 and 2022, the Group has sold certain trade receivables and finance lease receivables on non-recourse basis. Gains or losses on the sales are recorded at the time of transfers of these receivables and are immaterial.

Fair value hierarchy

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

	Fair Value	Level 1 inputs	Level 2 inputs	Level 3 inputs
As at 31 March 2023				
Assets				
Investments carried at fair value through profit or loss	231	217	-	14
Investments carried at fair value through other comprehensive income	438	-	438	-
Unrealized gain on derivative financial instruments	22	-	22	-
Liabilities				
Unrealized loss on derivative financial instruments	4	-	4	-
Others	12	-	-	12
Contingent consideration	6	-	-	6
As at 31 March 2022				
Assets				
Investments carried at fair value through profit or loss	338	324	-	14
Investments carried at fair value through other comprehensive income	499	-	499	-
Unrealized gain on derivative financial instruments	77	-	77	-
Liabilities				
Unrealized loss on derivative financial instruments	4	-	4	-

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

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)**Valuation Methodologies**

Investments: The Group's investments consist of investment in debt linked mutual funds which are determined using quoted prices or identical quoted prices of assets or liabilities in active markets and are classified as Level 1. Fair value of corporate debt securities is determined using observable markets' inputs and is classified as Level 2.

Investments in unquoted equity shares and limited liability partnerships are classified as fair value through profit or loss and are classified as Level 3. The re-measurement is calculated using unobservable inputs based on the Group's own assessment of third party valuations and respective company's financial performance.

Derivative financial instruments: The Group's derivative financial instruments consist of foreign currency forward exchange contracts and options. Fair values for derivative financial instruments are based on counter party quotations and are classified as Level 2.

Liability towards non-controlling interest: As part of the acquisition of "Actian Corporation" on 17 July 2018, joint venturer "Sumeru Equity Partners" (SEP) contributed in form of preferred stock qualified as "compound financial instrument" (equity and financial liability) in the books of joint venture company controlled by the Group. The financial liability was initially and subsequently re-measured based on independent third party valuation using "Monte Carlo Simulation" methodology (refer note 2(b)(i)).

Fair value of contingent consideration: The fair value measurement of contingent consideration is determined using Level 3 inputs. The Group contingent consideration represents a component of the total purchase consideration for its various acquisitions. The measurement is calculated using unobservable inputs based on the Group's own assessment of achievement of certain performance goals.

Fair value of consideration payable for "other financial liability" is determined using Monte Carlo and Geometric Brownian model. The fair value measurement is determined using Level 3 Inputs.

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

The following table discloses reconciliation of financial assets and liabilities categorised within Level 3 of the fair value hierarchy:

	Investment in unquoted equity shares and limited liability partnerships	Liability towards non-controlling interest (refer note 2(b)(i))	Contingent consideration	Other financial liabilities
Balance as at 1 April 2021	13	66	-	-
Recognized in statement of profit and loss	1	6	-	-
Additional investments	-	-	-	-
Payment of liability	-	(72)	-	-
Balance as at 31 March 2022	14	-	-	-
Balance as at 1 April 2022	14	-	-	-
Recognized in statement of profit and loss	-	-	-	4
Business combination	-	-	9	-
Change in non-controlling interest (refer note below)	-	-	-	9
Additional investments	-	-	-	-
Distribution from limited liability partnership	-	-	-	-
Payment of liability	-	-	(4)	-
Exchange differences	-	-	-	(1)
Translation exchange differences	-	-	1	-
Balance as at 31 March 2023	14	-	6	12

Note: During the year ended 31 March 2020, the Group had set-up certain trusts in South Africa for the benefit of black nationals and had given 51.8% effective ownership in its South African operating entity to the trusts. Subsequently during the current year ended 31 March 2023, pursuant to certain additional rights given to these trusts, the fair value of the Group's liability to the trusts have been reclassified from 'non-controlling interest' to 'other financial liabilities'. Further, the remaining earnings allocated to these trusts in prior periods and included in 'non-controlling interest' have been reclassified to 'retained earnings'.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)

(c) Financial risk management

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Group 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 Group's exposure to the risk of changes in exchange rates relates primarily to the Group's operations in foreign subsidiaries.

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency of the respective entities and foreign currency forecasted revenue and cash flows. A significant portion of the Group revenue is in US Dollar, Pound Sterling (GBP) and Euro while a large portion of costs are in Indian rupees. The fluctuation in exchange rates in respect to India rupee may have potential impact on the statement of profit or loss and other comprehensive income and equity.

To mitigate the foreign currency risk the Group uses derivatives as governed by the Group's strategy, which provides principles on the use of such forward contracts and currency options consistent with the Group's Risk Management Policy.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company and its subsidiaries would result in increase / decrease in the Group's profit before tax by approximately \$12 (31 March 2022, \$10) for the year ended 31 March 2023.

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

Non-derivative foreign currency exposure in major currencies is as below:

	Financial assets		Financial liabilities	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
USD / INR	914	917	192	187
GBP / INR	104	71	9	4
EURO / INR	159	125	21	17

(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 Group's exposure to the risk of changes in market interest rates arises on borrowings with floating interest rate which is not material.

Credit risk

Financial instruments that potentially subject the Group to concentration of credit risk consist principally of cash and bank balances, deposit with corporations, trade receivables, finance lease receivables, investment securities and derivative instruments. The cash resources of the Group are invested with mutual funds, banks, financial institutions and corporations 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.

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)

The customers of the Group are primarily corporations based in the United States of America and Europe and accordingly, trade receivables, unbilled receivables and finance lease receivables are concentrated in the respective countries. The Group periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of trade receivables, unbilled receivables, contract assets and finance lease receivables. No single customer accounted for more than 10% of trade receivables, unbilled receivables and finance lease receivables. The Group also outsourced selected client related credit risks to financial markets through “Non-recourse assignment” of receivables.

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

	Year ended	
	31 March 2023	31 March 2022
Balance at the beginning of the year	59	65
Additional provision during the year	24	19
Deductions on account of write offs and collections	(25)	(25)
Acquired through business combinations	-	1
Translation exchange differences	(1)	(1)
Balance at the end of the year	57	59

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities. The investment philosophy of the Group is capital preservation and liquidity in preference to returns. The Group 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 Group’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 2023					
Borrowings	22	7	257	1	287
Lease liabilities	118	87	58	75	338
Trade payables (including unbilled and accruals)	782	-	-	-	782
Derivative financial liabilities	2	1	1	-	4
Other financial liabilities	632	22	17	24	695
Total	1,556	117	333	100	2,106
As at 31 March 2022					
Borrowings	17	26	10	508	561
Lease liabilities	104	88	59	91	342
Trade payables (including unbilled and accruals)	828	-	-	-	828
Derivative financial liabilities	4	-	-	-	4
Other financial liabilities	629	22	16	25	692
Total	1,582	136	85	624	2,427

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Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.21 Financial instruments (continued)

Offsetting of financial instruments

Under cash pooling arrangements with banks outside India, the contractual terms of arrangements preclude individual bank accounts within the arrangement from being considered separate units of account. Accordingly, the balances of all such bank accounts subject to the arrangements are presented on net basis. The impact of such netting on bank balances and bank overdraft is \$46 (31 March 2022, \$25).

3.22 Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance.

The group has organized itself into the following segments:

IT and Business Services provide a comprehensive portfolio of IT & Business Services (Application, Infrastructure and Digital Process Operations) and Digital transformation services enabled by Digital and Analytics, IoTWoRKs, Cloud native and Cybersecurity solutions including products developed within these businesses.

Engineering and R&D Services provides comprehensive engineering services and solutions across software, embedded, mechanical, VLSI and platform engineering that support the end to end lifecycle of products – both hardware and software across diverse industries including products developed within this business.

HCL Software provides modernized software products and IP-led offerings to our global clients for their technology and industry specific requirements.

During the year ended 31 March 2023, the Group has changed the name of "Products & Platforms" segment to "HCL Software".

Segment accounting policies

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

a) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification and wherever allocable, are apportioned to the segment on an appropriate basis. However, segment revenue does not include other income. Segment expenses do not include finance cost, exchange differences and tax expense. Inter segment revenue primarily relates to software sourced internally from HCL Software segment by other segments for providing services to end customers.

b) Segment assets and liabilities

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

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.22 Segment Reporting (continued)

Financial information about the business segments is as follows:

	Year ended	
	31 March 2023	31 March 2022
Revenue from operations from external customers		
IT and Business Services	9,182	8,272
Engineering and R&D services	2,085	1,818
HCL Software	1,319	1,391
Total	12,586	11,481
Inter-segment revenue		
IT and Business Services	-	-
Engineering and R&D services	-	-
HCL Software	58	56
Total	58	56
Segment revenues		
IT and Business Services	9,182	8,272
Engineering and R&D services	2,085	1,818
HCL Software	1,377	1,447
Inter-segment elimination	(58)	(56)
Total	12,586	11,481
Segment results		
IT and Business Services	1,523	1,476
Engineering and R&D services	420	348
HCL Software	345	346
Total	2,288	2,170
Finance cost	(44)	(43)
Other income	169	143
Profit before share of loss of associate and tax	2,413	2,270
Share of loss of an associate	-	-
Profit before tax	2,413	2,270
Tax expense	(577)	(460)
Profit for the year	1,836	1,810
Significant non-cash items		
Depreciation and amortization expense		
IT and Business Services	240	245
Engineering and R&D services	56	54
HCL Software	218	281
Total	514	580
Share based payments to employees		
IT and Business Services	30	9
Engineering and R&D services	4	1
HCL Software	4	1
Total	38	11

Effective 1 April 2022, certain software products internally developed and earlier managed by and reported under IT and Business Services segment, have been brought under the management of the HCL Software Team. Accordingly, the revenues and results related to these products and related services are now being reported under HCL Software segment. Prior period figures have also been restated to conform to current period composition of the operating segments. Impact of this change is immaterial for segment results of both the segments.

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

	Year ended	
	31 March 2023	31 March 2022
America	7,176	6,462
Europe	3,329	3,079
India *	489	416
Rest of the world	1,592	1,524
	12,586	11,481

* includes revenue billed to India based captive of global customers

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.22 Segment Reporting (continued)

No single customer represents 10% or more of the Group's total revenue for the years ended 31 March 2023 and 2022, respectively.

Group operates out of various geographies and America & Europe constitute major portion of revenue. In case of IT and Business Services and Engineering and R&D services, approximately 57% and 57% of revenues are generated in America, Europe generates around 27% and 27% revenue and balance is generated by other geographies during year ended 31 March 2023 and 2022 respectively. HCL Software segment generates approximately 55% and 54% revenue from America, 25% and 26% from Europe and balance geographies generates rest of revenue during the year ended 31 March 2023 and 2022 respectively.

Geographical non-current assets (property, plant and equipment, capital work in progress, right-of-use assets, goodwill, other intangible assets and other non-current assets) are allocated based on the location of the assets.

Geographical non-current assets based on the location of the assets is as follows:

	As at	
	31 March 2023	31 March 2022
India	2,232	2,660
America	1,187	1,236
Europe	724	665
Rest of the world	302	351
	4,445	4,912

3.23 Employee benefits

The Group has calculated the various benefits provided to employees as shown below:

a. Defined contribution plans and state plans

Superannuation Fund

Employer's contribution to Employee Pension Scheme

During the year, the Company and its subsidiaries in India have recognized the following amounts in the statement of profit or loss:

	Year ended	
	31 March 2023	31 March 2022
Superannuation Fund	2	2
Employer's contribution to Employee's Pension Scheme	21	22
Total	23	24

The Group has contributed \$117 (previous year, \$109) towards other defined contribution plans of subsidiaries outside India.

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.23 Employee benefits (continued)**b. Defined benefit plans**

- a) Gratuity
- b) Pension
- c) Employer's contribution to provident fund

Gratuity

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

Statement of profit or loss

	Year ended	
	31 March 2023	31 March 2022
Current service cost	28	23
Interest cost (net)	6	6
Net benefit expense	34	29

Balance Sheet

	As at	
	31 March 2023	31 March 2022
Defined benefit obligations	103	113
Fair value of plan assets	2	2
Net plan liability	101	111
Current defined benefit obligations	23	19
Non-current defined benefit obligations	78	92

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

	Year ended	
	31 March 2023	31 March 2022
Opening defined benefit obligations	113	104
Current service cost	28	23
Interest cost	6	6
Re-measurement (gains) losses in OCI		
Actuarial changes arising from changes in demographic assumptions	(3)	-
Actuarial changes arising from changes in financial assumptions	(13)	(2)
Experience adjustments	(7)	(3)
Business combinations	-	-
Benefits paid	(13)	(12)
Translation exchange differences	(8)	(3)
Closing defined benefit obligations	103	113

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

	Year ended	
	31 March 2023	31 March 2022
Opening fair value of plan assets	2	2
Interest income	-	-
Contributions	13	11
Re-measurement gains (losses) in OCI	-	-
Benefits paid	(13)	(11)
Translation exchange differences	-	-
Closing fair value of plan assets	2	2

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.23 Employee benefits (continued)

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

	As at	
	31 March 2023	31 March 2022
Discount rate	7.40%	6.75%
Estimated rate of salary increases	6.50%	8.00%
Expected rate of return on assets	7.40%	6.75%

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. Inherent risk exists for the Company that any adverse salary growth or demographic experience or inadequate returns on underlying plan assets can result in an increase in cost of providing these benefits to employees in future. Since the benefits are lump sum in nature the plan is not subject to any longevity risks.

Discount rate and future salary escalation rate are the key actuarial assumptions to which the defined benefit obligation are particularly sensitive. The following table summarizes the impact on defined benefit obligation as at 31 March 2023 arising due to increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate		Salary escalation rate	
	As at		As at	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Impact of increase	(3)	(4)	3	4
Impact of decrease	3	4	(3)	(3)

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 analyses.

The defined benefit obligations are expected to mature after 31 March 2023 as follows:

Year ending 31 March,	Cash flows
- 2024	17
- 2025	18
- 2026	21
- 2027	28
- 2028	29
- Thereafter	365

The weighted average duration for the payment of these cash flows is 5.64 years.

Retirement benefit pension plans

The following table sets out the status of the plan:

Statement of profit or loss

	Year ended	
	31 March 2023	31 March 2022
Current service cost	-	1
Net benefit expense	-	1

Balance Sheet

	As at	
	31 March 2023	31 March 2022
Defined benefit obligations	14	18
Fair value of plan assets	-	-
Net plan liability	14	18
Current defined benefit obligations	-	-
Non-current defined benefit obligations	14	18

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.23 Employee benefits (continued)

Changes in present value of the retirement benefit pension plans are as follows:

	Year ended	
	31 March 2023	31 March 2022
Opening defined benefit obligations	18	16
Business combinations	-	4
Current service cost	-	1
Re-measurement (gains) losses in OCI		
Actuarial changes arising from changes in financial assumptions	(4)	(1)
Experience adjustments	-	(1)
Benefits paid	-	(1)
Translation exchange differences	-	-
Closing defined benefit obligations	14	18

The principal assumptions used in determining retirement benefit pension plans obligation are shown below:

	As at	
	31 March 2023	31 March 2022
Discount rate	3.36%	1.21%
Estimated rate of salary increases	2.00%	2.50%

The defined benefit obligations are expected to mature after 31 March 2023 as follows:

Year ending 31 March,	Cash flows
- 2024	-
- 2025	-
- 2026	-
- 2027	1
- 2028	1
- Upto 10 years	5

Employers Contribution to Provident Fund

The actuary has provided a valuation for provident fund liabilities on the basis of guidance issued by Actuarial Society of India based on the assumption mentioned below.

The details of the fund and plan asset position are given below:-

	31 March 2023	31 March 2022
Fair value of plan assets at the year end	790	734
Present value of benefit obligation at year end	790	734
Net liability recognized in balance sheet	-	-

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

	31 March 2023	31 March 2022
Government of India (GOI) bond yield	7.40%	6.75%
Remaining term of maturity	7.51 years	7.60 years
Expected guaranteed interest rate	8.15%	8.10%

During the year ended 31 March 2023, the Group has contributed \$57 (previous year, \$46) towards employer's contribution to provident fund.

HCL Technologies Limited
Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.24 Related party transactions
a) Related parties where control exists

List of subsidiaries as at 31 March 2023 and 31 March 2022 is as below:

S. No.	Name of the Subsidiaries	Country of Incorporation	Percentage holding as at	
			31 March 2023	31 March 2022
Direct subsidiaries				
1	HCL Comnet Systems & Services Limited	India	100%	100%
2	HCL Bermuda Limited	Bermuda	100%	100%
3	HCL Technologies (Shanghai) Limited	China	100%	100%
4	HCL Singapore Pte. Limited	Singapore	100%	100%
5	HCL Training & Staffing Services Private Limited	India	100%	100%
6	Geometric Americas, Inc.	USA	100%	100%
7	HCL Asia Pacific Pte. Ltd.	Singapore	100%	100%
8	Geometric Europe GmbH	Germany	100%	100%
9	Sankalp Semiconductor Private Limited	India	100%	100%
10	H C L Technologies Lanka (Private) Limited	Sri Lanka	100%	100%
11	HCL Technologies Jigani Limited ^	India	100%	-
Step down subsidiaries of direct subsidiaries				
12	HCL Great Britain Limited	UK	100%	100%
13	HCL Australia Services Pty. Limited	Australia	100%	100%
14	HCL (New Zealand) Limited	New Zealand	100%	100%
15	HCL Hong Kong SAR Limited	Hong Kong	100%	100%
16	HCL Japan Limited	Japan	100%	100%
17	HCL America Inc.	USA	100%	100%
18	HCL Technologies Austria GmbH	Austria	100%	100%
19	HCL Software Products Limited	India	100%	100%
20	HCL Poland Sp.z.o.o	Poland	100%	100%
21	HCL EAS Limited	UK	100%	100%
22	HCL Insurance BPO Services Limited	UK	100%	100%
23	Axon Group Limited	UK	100%	100%
24	HCL Canada Inc.	Canada	100%	100%
25	HCL Technologies Solutions GmbH	Switzerland	100%	100%
26	Axon Solutions Pty. Limited !	Australia	-	100%
27	Axon Solutions Limited	UK	100%	100%
28	HCL Technologies Malaysia Sdn. Bhd.	Malaysia	100%	100%
29	Axon Solutions (Shanghai) Co. Limited	China	100%	100%
30	HCL Technologies (Proprietary) Ltd %	South Africa	48.16%	48.16%
31	HCL Argentina s.a.	Argentina	100%	100%
32	HCL Technologies Mexico S. de R.L.	Mexico	100%	100%
33	HCL Technologies Romania s.r.l.	Romania	100%	100%
34	HCL Technologies Startschema Kft. (Formerly "HCL Hungary Kft")	Hungary	100%	100%
35	HCL Latin America Holding LLC	USA	100%	100%
36	HCL (Brazil) Tecnologia da Informacao LTDA (Formerly "HCL (Brazil) Tecnologia da informacao EIRELI")	Brazil	100%	100%
37	HCL Technologies Denmark Aps	Denmark	100%	100%
38	HCL Technologies Norway AS	Norway	100%	100%
39	PT. HCL Technologies Indonesia Limited	Indonesia	100%	100%

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.24 Related party transactions**a) Related parties where control exists**

List of subsidiaries as at 31 March 2023 and 31 March 2022 is as below:

S. No.	Name of the Subsidiaries	Country of Incorporation	Percentage holding as at	
			31 March 2023	31 March 2022
40	HCL Technologies Philippines Inc.	Philippines	100%	100%
41	HCL Technologies South Africa (Proprietary) Limited %	South Africa	36.40%	36.40%
42	HCL Arabia LLC	Saudi Arabia	100%	100%
43	HCL Technologies France SAS	France	100%	100%
44	Filial Espanola De HCL Technologies S.L	Spain	100%	100%
45	Anzospan Investments Pty Limited %	South Africa	70%	70%
46	HCL Investments (UK) Limited	UK	100%	100%
47	Statestreet HCL Holding UK Limited **	UK	100%	100%
48	Statestreet HCL Services (Philippines) Inc. **	Philippines	100%	100%
49	Statestreet HCL Services (India) Private Limited **	India	100%	100%
50	HCL America Solutions Inc.	USA	100%	100%
51	HCL Technologies Chile Spa	Chile	100%	100%
52	HCL Technologies UK Limited	UK	100%	100%
53	HCL Technologies B.V.	Netherlands	100%	100%
54	HCL (Ireland) Information Systems Limited	Ireland	100%	100%
55	HCL Technologies Germany GmbH	Germany	100%	100%
56	HCL Technologies Belgium BV (Formerly "HCL Technologies Belgium BVBA")	Belgium	100%	100%
57	HCL Technologies Sweden AB	Sweden	100%	100%
58	HCL Technologies Finland Oy	Finland	100%	100%
59	HCL Technologies Italy S.P.A	Italy	100%	100%
60	HCL Technologies Columbia S.A.S	Columbia	100%	100%
61	HCL Technologies Middle East FZ-LLC	UAE	100%	100%
62	HCL Istanbul Bilisim Teknolojileri Limited Sirketi	Turkey	100%	100%
63	HCL Technologies Greece Single Member P.C	Greece	100%	100%
64	HCL Technologies S.A.	Venezuela	100%	100%
65	HCL Technologies Beijing Co., Ltd	China	100%	100%
66	HCL Technologies Luxembourg S.a r.l	Luxembourg	100%	100%
67	HCL Technologies Egypt Limited	Egypt	100%	100%
68	HCL Technologies Estonia OÜ	Estonia	100%	100%
69	HCL Technologies (Thailand) Ltd.	Thailand	100%	100%
70	HCL Technologies Czech Republic s.r.o.	Czech Republic	100%	100%
71	HCL Muscat Technologies L.L.C.	Oman	100%	100%
72	Point to Point Limited !	UK	-	100%
73	Point to Point Products Limited !	UK	-	100%
74	HCL Technologies Lithuania UAB	Lithuania	100%	100%
75	HCL Technologies (Taiwan) Ltd.	China	100%	100%
76	Geometric China, Inc.	China	100%	100%
77	Butler America Aerospace LLC	USA	100%	100%
78	HCL Lending Solutions, LLC (Formerly "Urban Fulfillment Services LLC")	USA	100%	100%
79	Datawave (An HCL Technologies Company) Limited	Scotland	100%	100%

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.24 Related party transactions**a) Related parties where control exists**

List of subsidiaries as at 31 March 2023 and 31 March 2022 is as below:

S. No.	Name of the Subsidiaries	Country of Incorporation	Percentage holding as at	
			31 March 2023	31 March 2022
80	HCL Technologies Corporate Services Limited	UK	100%	100%
81	C3i Support Services Private Limited	India	100%	100%
82	Telrex Marketing Inc.	USA	100%	100%
83	C3i Europe Eood	Bulgaria	100%	100%
84	C3i Japan GK	Japan	100%	100%
85	C3i Services &Technologies (Dalian) Co., Ltd	China	100%	100%
86	HCL Technologies SEP Holdings Inc !	USA	-	100%
87	Actian Corporation	USA	100%	100%
88	Actian Australia Pty. Ltd.	Australia	100%	100%
89	Actian Europe Limited	UK	100%	100%
90	Actian France SAS	France	100%	100%
91	Actian Germany GmbH	Germany	100%	100%
92	Actian International, Inc.	USA	100%	100%
93	Actian Netherlands B.V.!	Netherlands	-	100%
94	Actian Technology Private Limited	India	100%	100%
95	Versant GmbH	Germany	100%	100%
96	Versant India Private Limited	India	100%	100%
97	HCL Technologies Vietnam Company Limited	Vietnam	100%	100%
98	HCL Guatemala, Sociedad Anonima	Guatemala	100%	100%
99	Sankgij Semiconductor Private Limited	India	100%	100%
100	Sankalp Semiconductor Inc.	Canada	100%	100%
101	Sankalp USA Inc. !	USA	-	100%
102	Sankalp Semiconductor GmbH.	Germany	100%	100%
103	Sankalp Semiconductor Sdn.Bhd.	Malaysia	100%	100%
104	HCL Technologies Trinidad And Tobago Limited	Trinidad and Tobago	100%	100%
105	HCL Technologies Azerbaijan Limited Liability Company	Azerbaijan	100%	100%
106	HCL Technologies Bulgaria EOOD	Bulgaria	100%	100%
107	HCL Vietnam Company Limited (Formerly known as HCL Technologies (Vietnam) Company Limited)	Vietnam	100%	100%
108	HCL Technologies Angola (SU), LDA	Angola	100%	100%
109	DWS Pty Limited (Formely "DWS Limited")	Australia	100%	100%
110	DWS (New Zealand) Ltd	New Zealand	100%	100%
111	Phoenix IT & T Consulting Pty Ltd	Australia	100%	100%
112	Wallis Nominees (Computing) Pty Ltd	Australia	100%	100%
113	DWS (NSW) Pty Ltd	Australia	100%	100%
114	Symplicit Pty Ltd	Australia	100%	100%
115	Projects Assured Pty Ltd	Australia	100%	100%
116	DWS Product Solutions Pty Ltd	Australia	100%	100%
117	Graeme V Jones & Associates Pty Ltd	Australia	100%	100%
118	Strategic Data Management Pty Ltd	Australia	100%	100%
119	SDM Sales Pty Ltd	Australia	100%	100%
120	HCL Technologies S.A.C.	Peru	100%	100%

HCL Technologies Limited**Notes to consolidated financial statements for the year ended 31 March 2023**

(All amounts in millions of USD, except share data and as stated otherwise)

3.24 Related party transactions**a) Related parties where control exists**

List of subsidiaries as at 31 March 2023 and 31 March 2022 is as below:

S. No.	Name of the Subsidiaries	Country of Incorporation	Percentage holding as at	
			31 March 2023	31 March 2022
121	HCL Technologies Costa Rica Sociedad De Responsabilidad Limitada	Costa Rica	100%	100%
122	HCL Technologies gbs GmbH (Formerly "gbs-Gesellschaft für Banksysteme GmbH")	Germany	51%	51%
123	HCL Technologies Slovakia s. r. o.	Slovakia	100%	100%
124	HCL Technologies Bahrain W.L.L	Bahrain	100%	100%
125	HCL Technologies Morocco Limited	Morocco	100%	100%
126	Starschema kft. (Formerly "Starschema Kereskedelmi és Szolgáltató kft.") # *	Hungary	-	-
127	Manzina Tech GmbH #	Switzerland	100%	-
128	Starschema Inc #	Hungary	100%	-
129	Confinale AG #	Switzerland	100%	-
130	Brilliant Data LLC #	USA	100%	-
131	Confinale (Deutschland) GmbH #	Germany	100%	-
132	Confinale (UK) Limited #	UK	100%	-
133	Quest Informatics Private Limited #	India	100%	-

^ Incorporated during the year

Acquired during the year

! Closed during the year

* Merged during the year

%The Group has majority composition of board of directors and management control.

** The Group has equity interest of 49% and 100% dividend rights and control

Employee benefit trusts - incorporated in India

Hindustan Instruments Limited Employees Provident Fund Trust

HCL Consulting Limited Employees Superannuation Scheme

HCL Comnet System and Services Limited Employees Provident Fund Trust

HCL Technologies Employees Group Gratuity Trust

HCL Technologies Stock Options Trust

C3i Support Services Employees Gratuity Trust

Sankalp Stock Trust (closed w.e.f 6th March 2023)

Sankalp Semiconductor Private Limited Employees Group Gratuity Trust

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.24 Related party transactions (continued)

b) Related parties with whom transactions have taken place

Key Management Personnel

Mr. C. Vijayakumar – Chief Executive Officer and Managing director (appointed Managing Director w.e.f. 20 July 2021)

Mr. Prateek Aggarwal – Chief Financial Officer

Mr. Manish Anand – Company Secretary

Mr. Shiv Nadar – Chief Strategy Officer (ceased to be Managing Director w.e.f. 19 July 2021)

Non-Executive & Independent Directors

Mr. R. Srinivasan

Ms. Robin Abrams

Dr. Sosale S. Sastry

Mr. S. Madhavan

Mr. Thomas Sieber

Ms. Nishi Vasudeva

Mr. Deepak Kapoor

Dr. Mohan Chellappa

Mr. Simon England

Ms. Vanitha Narayanan (appointed w.e.f. 19 July 2021)

Non-Executive & Non-Independent Directors

Ms. Roshni Nadar Malhotra, Chairperson

Mr. Shikhar Malhotra

Others (Significant influence)

Mr. Shiv Nadar (ceased to be Managing Director w.e.f. 19 July 2021)

HCL Infosystems Limited

HCL Avitas Private Limited

Vama Sundari Investments (Delhi) Private Limited

HCL Corporation Private Limited

SSN Investments (Pondi) Private Limited

Naksha Enterprises Private Limited

Kiran Nadar Museum of Art*

Ms. Kiran Nadar

HCL IT City Lucknow Private Limited

HCL Infotech Limited

Shiv Nadar University

HCL Holdings Private Limited

Shiv Nadar Foundation*

* Public Charitable Trusts in which Mr. Shiv Nadar or his family members are managing trustees.

HCL Technologies Limited
Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.24 Related party transactions (continued)

Transactions with related parties during the normal course of business	Significant influence	
	Year ended	
	31 March 2023	31 March 2022
Revenue from operations	-	2
Interest income	-	-
Employee benefits expense	8	8
Payment for use of facilities	-	1
Interim dividend	983	923
Sale of capital equipments	-	-
Depreciation charge on right-of-use assets	4	4
Interest expense on the lease liability	1	1
Other expenses	1	1

Material related party transactions	Year ended	
	31 March 2023	31 March 2022
Interim dividend paid		
Vama Sundari Investments (Delhi) Private Limited	712	664
HCL Holdings Private Limited	266	252

Transactions with Key Managerial personnel during the year (on accrual basis)	Year ended	
	31 March 2023	31 March 2022
Compensation		
- Short-term employee benefits	5	5
- Other long-term employee benefits	6	6
Interim dividend	-	-

Other long term employee benefits include expense of \$5 (previous year, \$1) recorded by the Group on account of share-based payments.

Above does not include post-employment benefits based on actuarial valuation as this is done for the company as a whole.

Transactions with Directors during the year	Year ended	
	31 March 2023	31 March 2022
Commission & other benefits to Directors (includes sitting fees)	2	1

Outstanding balances	Significant influence	
	As at	
	31 March 2023	31 March 2022
Trade receivables, other financial assets and other assets	3	4
Trade payables and other financial liabilities	5	3
Employee and other payables	6	8
Right-of-use assets	8	8
Lease liabilities	8	9

All transactions entered by the Group with related parties are at arm's length and in ordinary course of business.

HCL Technologies Limited

Notes to consolidated financial statements for the year ended 31 March 2023

(All amounts in millions of USD, except share data and as stated otherwise)

3.25 Commitments and contingent liabilities

	As at	
	31 March 2023	31 March 2022
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)	28	71
Uncalled liability on other investments partly paid		
Capital commitment in limited liability partnership	-	1
ii) Contingent liabilities		
Others (refer note (c) below)	-	46
	28	118

Notes :

(a) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the Group towards Provident Fund and Gratuity. The effective date from which the changes are applicable is yet to be notified and the final rules are yet to be notified. The Group will carry out an evaluation of the impact and record the same in the financial statements in the period in which the Code becomes effective and the related rules are notified.

(b) The Group is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Group 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 Group 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 Group 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, consolidated financial position, results of the Group, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 March 2023.

(c) A wholly owned subsidiary ('WOS') with a VSAT License had received a demand from Department of Telecommunications (DoT) in February 2015 for FY 2011-12 and FY 2013-14 for an amount of \$18 (₹133 crores), including penalty, interest and interest on penalty. Further, in July 2021, the WOS has received updated provisional order for FY 2011-12 and FY 2013-14 for an amount of \$46 (₹346 crores) after updating interest up to July 2021. It had received provisional assessment orders for all the prior and future years with no demand. Demand is primarily due to DoT including IT Services revenues and related exchange gains in Adjusted Gross Revenue (AGR). The WOS had obtained stay in 2015 and its petition is pending adjudication at the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT"). The IT Services business had been demerged from the WOS with effect 1 April 2012. The Hon'ble Supreme Court has pronounced its ruling on the AGR matter relating to Unified Access Service License on 24 October 2019. Subsequent to this ruling, the Company had obtained legal opinion and was of the view that it should be able to defend its position in the above matter. The Company has received a favorable judgement from TDSAT setting aside the demand raised by DOT including IT services revenue and related exchange gains in AGR.

3.26 Subsequent events

The Board of Directors at its meeting held on 20 April 2023 has declared an interim dividend of ₹18 per share.