

HCL Technologies Limited

Condensed Consolidated Interim Financial Statements - IFRS

For the three and six months period ended 30 September 2024 and 2023



KPMG Assurance and Consulting Services LLP

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Independent Auditors' Review Report

The Board of Directors
HCL Technologies Limited:

Results of Review of Condensed Consolidated Interim Financial Information

We have reviewed the condensed consolidated interim financial statements of HCL Technologies Limited and its subsidiaries (the Company), which comprise the condensed consolidated interim balance sheet as of September 30, 2024, and the related condensed consolidated interim statements of profit or loss, profit or loss and other comprehensive income for the three and six month periods ended September 30, 2024 and 2023, the related condensed consolidated interim statement of changes in equity and cash flows for the six-month periods ended September 30, 2024 and 2023, and the related notes (collectively referred to as the condensed consolidated interim financial information).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed consolidated interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole and accordingly, we do not express such an opinion. 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 reviews. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Condensed Consolidated Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of condensed consolidated interim financial information that is free from material misstatement, whether due to fraud or error.



Report on Condensed Consolidated Balance Sheet as of March 31, 2024

We have previously audited, in accordance with GAAS, the consolidated balance sheet as of March 31, 2024, and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 26, 2024. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of March 31, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Assurance and Consulting Services LLP

Gurugram, Haryana, India
October 14, 2024

HCL Technologies Limited
Condensed Consolidated Interim Balance Sheet
(All amounts in millions of USD, except share data and as stated otherwise)

	Note No.	As at 30 September 2024 (unaudited)	As at 31 March 2024 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	548	587
Capital work in progress	3.1	21	13
Right-of-use assets		330	349
Goodwill	3.2	2,469	2,415
Other intangible assets	3.3	767	856
Investments	3.4	12	11
Trade receivables - unbilled	3.5	102	75
Deposits with Corporations		-	34
Other financial assets	3.7	227	161
Deferred tax assets (net)		112	124
Other assets	3.8	259	227
Total non-current assets		4,847	4,852
Current assets			
Inventories		21	22
Investments	3.4	900	845
Trade receivables			
Billed	3.5	2,181	2,337
Unbilled	3.5	748	724
Cash and cash equivalents	3.6(a)	1,122	1,134
Deposits with banks	3.6(b)	1,206	1,282
Deposits with Corporations		135	95
Other financial assets	3.7	186	148
Current tax assets (net)		19	19
Other assets	3.8	538	509
Total current assets		7,056	7,115
TOTAL ASSETS		11,903	11,967

HCL Technologies Limited
Condensed Consolidated Interim Balance Sheet
(All amounts in millions of USD, except share data and as stated otherwise)

	Note No.	As at 30 September 2024 (unaudited)	As at 31 March 2024 (audited)
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	3.9	72	72
Retained earnings		7,734	7,802
Other equity		414	311
Equity attributable to owners of the Company		8,220	8,185
Non-controlling interest		1	1
TOTAL EQUITY		8,221	8,186
LIABILITIES			
Non-current liabilities			
Borrowings	3.10	264	267
Lease liabilities		282	281
Other financial liabilities	3.11	81	88
Contract liabilities		115	126
Provisions	3.12(a)	216	193
Deferred tax liabilities (net)		138	93
Other liabilities	3.12(b)	7	7
Total non-current liabilities		1,103	1,055
Current liabilities			
Borrowings	3.10	9	13
Lease liabilities		135	131
Trade payables			
Billed		303	308
Unbilled and accruals		348	394
Other financial liabilities	3.11	603	682
Contract liabilities		467	498
Provisions	3.12(a)	169	160
Current tax liabilities (net)		289	277
Other liabilities	3.12(b)	256	263
Total current liabilities		2,579	2,726
TOTAL LIABILITIES		3,682	3,781
TOTAL EQUITY AND LIABILITIES		11,903	11,967

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

HCL Technologies Limited
Condensed Consolidated Interim Statement of Profit and Loss (unaudited)
(All amounts in millions of USD, except share data and as stated otherwise)

	Note No.	Three month ended		Six months ended	
		30 September 2024	30 September 2023	30 September 2024	30 September 2023
Revenues	3.13	3,445	3,225	6,809	6,425
Expenses					
Cost of revenues	3.14	2,242	2,057	4,444	4,118
Research and development expenses	3.14	47	49	96	97
Selling, general and administrative expenses	3.14	396	401	814	836
Depreciation and amortization expenses		120	122	240	235
Operating profit		640	596	1,215	1,139
Other income (expenses), net	3.15	54	43	172	82
Finance cost	3.16	15	19	38	29
Profit before tax		679	620	1,349	1,192
Income tax expense	3.17	173	156	347	298
Profit for the period		506	464	1,002	894
Profit for the period attributable to					
Owners of the Company		506	464	1,002	894
Non-controlling interest		—	—	—	—
		506	464	1,002	894
Earnings per equity share	3.18				
Basic (in USD)		0.19	0.17	0.37	0.33
Diluted (in USD)		0.19	0.17	0.37	0.33

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

HCL Technologies Limited
Condensed Consolidated Interim Statement of Profit and Loss and Other Comprehensive Income (unaudited)

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

	Note No.	Three month ended		Six months ended	
		30 September 2024	30 September 2023	30 September 2024	30 September 2023
Profit for the period		506	464	1,002	894
Other comprehensive income (loss)	3.19				
Items that will not be reclassified subsequently to statement of profit and loss					
Change in unrealized gain (loss) on defined benefit plan, net of taxes		(1)	-	(2)	-
Items that will be reclassified subsequently to statement of profit and loss					
Change in foreign currency translation		72	(86)	80	(85)
Change in unrealized gain (loss) on cash flow hedges, net of taxes		(45)	(6)	(39)	36
Change in unrealized gain (loss) on debt instruments, net of taxes		-	-	-	-
Total other comprehensive income (loss), net of taxes		26	(92)	39	(49)
Total comprehensive income for the period		532	372	1,041	845
Total comprehensive income for the period attributable to					
Owners of the Company		532	372	1,041	845
Non-controlling interest		-	-	-	-
		532	372	1,041	845

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

HCL Technologies Limited
Condensed Consolidated Interim Statement of Changes in Equity (unaudited)
(All amounts in millions of USD, except share data and as stated otherwise)

	Equity share capital		Retained earnings	Other equity									Equity attributable to owners 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 2023	2,713,665,096	72	7,763	1	2	(106)	49	538	23	(390)	10	-	7,962	(1)	7,961
Profit for the period	-	-	894	-	-	-	-	-	-	-	-	-	894	-	894
Other comprehensive income (loss) (refer note 3.19)	-	-	-	-	-	-	-	-	-	(85)	36	-	(49)	-	(49)
Total comprehensive income (loss) for the period	-	-	894	-	-	-	-	-	-	(85)	36	-	845	-	845
Transactions with owners of the Company															
Contributions and distributions															
Interim dividend of ₹28 per share	-	-	(919)	-	-	-	-	-	-	-	-	-	(919)	-	(919)
Transfer to special economic zone re-investment reserve	-	-	(141)	-	-	-	-	141	-	-	-	-	-	-	-
Transfer from special economic zone re-investment reserve	-	-	16	-	-	-	-	(16)	-	-	-	-	-	-	-
Share based payments expense	-	-	-	-	-	-	18	-	-	-	-	-	18	-	18
Issue of treasury shares to employees	-	-	(2)	-	-	8	(6)	-	-	-	-	-	-	-	-
Excess tax benefit from share based payments	-	-	2	-	-	-	-	-	-	-	-	-	2	-	2
Balance as at 30 September 2023	2,713,665,096	72	7,613	1	2	(98)	61	663	23	(475)	46	-	7,908	(1)	7,907
Balance as at 1 April 2024	2,713,665,096	72	7,802	1	2	(96)	79	702	25	(462)	60	-	8,185	1	8,186
Profit for the period	-	-	1,002	-	-	-	-	-	-	-	-	-	1,002	-	1,002
Other comprehensive income (loss) (refer note 3.19)	-	-	-	-	-	-	-	-	(2)	80	(39)	-	39	-	39
Total comprehensive income (loss) for the period	-	-	1,002	-	-	-	-	-	(2)	80	(39)	-	1,041	-	1,041
Transactions with owners of the Company															
Contributions and distributions															
Interim dividend of ₹30 per share	-	-	(972)	-	-	-	-	-	-	-	-	-	(972)	-	(972)
Transfer to special economic zone re-investment reserve	-	-	(132)	-	-	-	-	132	-	-	-	-	-	-	-
Transfer from special economic zone re-investment reserve	-	-	26	-	-	-	-	(26)	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	(49)	-	-	-	-	-	-	(49)	-	(49)
Share based payments expense	-	-	-	-	-	-	12	-	-	-	-	-	12	-	12
Issue of treasury shares to employees	-	-	(9)	-	-	57	(48)	-	-	-	-	-	-	-	-
Excess tax benefit from share based payments	-	-	3	-	-	-	-	-	-	-	-	-	3	-	3
Changes in ownership interest															
Divestment in subsidiaries	-	-	14	-	-	-	-	(14)	-	-	-	-	-	-	-
Balance as at 30 September 2024	2,713,665,096	72	7,734	1	2	(88)	43	794	23	(382)	21	-	8,220	1	8,221

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

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

HCL Technologies Limited
Condensed Consolidated Interim Statement of Cash flows (unaudited)
(All amounts in millions of USD, except share data and as stated otherwise)

	Six months ended	
	30 September 2024	30 September 2023
A. Cash flows from operating activities		
Profit before tax	1,349	1,192
Adjustment for:		
Depreciation and amortization expense	240	235
Interest income	(93)	(73)
Provision for doubtful debts / bad debts written off (net)	4	6
Income on investments carried at fair value through profit and loss	(11)	(8)
Interest expense	18	14
Profit on sale of property, plant and equipment (net)	(1)	-
Share based payments expense	12	19
Divestment in subsidiaries	(69)	-
Other non-cash charges (net)	12	(1)
	1,461	1,384
Net change in		
Trade receivables	142	241
Inventories	3	11
Other financial assets and other assets	(46)	3
Trade payables	(59)	(72)
Other financial liabilities, contract liabilities, provisions and other liabilities	(132)	(64)
Cash generated from operations	1,369	1,503
Income taxes paid (net of refunds)	(248)	(192)
Net cash flow from operating activities (A)	1,121	1,311
B. Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles	(75)	(69)
Proceeds from sale of property, plant and equipment	2	3
Payments for business acquisitions, net of cash acquired	(25)	(247)
Investments in bank deposits	(750)	(774)
Proceeds from bank deposits	748	558
Deposits placed with corporations	(34)	(69)
Proceeds from deposits placed with corporations	28	111
Purchase of investments in securities	(2,386)	(2,371)
Proceeds from sale/maturity of investments in securities	2,328	2,380
Investment in equity instruments	(1)	(1)
Proceed from sale of equity instruments	-	1
Divestment in subsidiaries, net of cash	82	-
Interest received	78	56
Income taxes paid	(26)	(16)
Net cash flow used in investing activities (B)	(31)	(438)

HCL Technologies Limited**Condensed Consolidated Interim Statement of Cash flows (unaudited)**

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

	Six months ended	
	30 September 2024	30 September 2023
C. Cash flows from financing activities		
Proceeds from long term borrowings	-	1
Repayment of long term borrowings	(6)	(12)
Proceeds from short term borrowings	21	7
Repayment of short term borrowings	(21)	(7)
Payments for deferred and contingent consideration on business acquisitions	(6)	-
Dividend paid	(972)	(919)
Acquisition of treasury shares	(49)	-
Interest paid	(3)	(4)
Payment of lease liabilities including interest	(81)	(63)
Net cash flow used in financing activities	(1,117)	(997)
Net decrease in cash and cash equivalents (A+B+C)	(27)	(124)
Effect of exchange differences on cash and cash equivalents held in foreign currency	16	(9)
Cash and cash equivalents at the beginning of the period	1,132	1,103
Cash and cash equivalents at the end of the period as per note 3.6 (a)	1,121	970

Notes :

1. The total amount of income taxes paid is \$(274) (previous period, \$208).
2. Cash and cash equivalents includes unclaimed dividend of \$2 (previous period, \$1) which is of restricted use.

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

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

(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 condensed consolidated interim financial statements for the period ended 30 September 2024 were approved and authorized for issue by the Board of Directors on 14 October 2024

1 MATERIAL ACCOUNTING POLICIES

(a) Basis of preparation

These condensed consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 “Interim Financial Reporting” (IAS 34) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

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.

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

The interim 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 condensed consolidated interim statement of profit and loss. Any interest retained in the former subsidiary is measured at fair value when control is ceased. The condensed consolidated interim 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 and loss of an associate is shown on the face of the condensed consolidated interim statements of profit and loss.

(c) Use of estimates, judgements and assumptions

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements in the period in which the changes are made.

Significant estimates, judgements 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)
- v. Key actuarial assumptions for measurement of future obligations under employee benefit plans, refer note 1(s)
- 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)
- xi. Provisions and contingent liabilities, refer note 1(r) and note 3.22

(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 and loss.

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

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

(e) Foreign currency and translation

The Group's condensed consolidated interim 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 interim 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 and 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 and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period. 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 periods. 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 and loss.

(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.

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

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.

(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. Transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. 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.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivables in the condensed consolidated interim 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.

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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 and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions. Tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

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 interim 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 periods 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 period 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.

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

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 and loss for the period during which such expenses are incurred.

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

Property, plant and equipment under construction and cost of assets not ready for use at the period-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 period.

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

Asset description	Asset life (in years)
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 and loss.

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

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

(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 and 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.

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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.

The Group has elected to not recognize leases with a lease term of 12 months or less in the condensed consolidated interim 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 condensed consolidated interim statement of profit and 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 period 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 condensed consolidated interim statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

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.

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

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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. Impairment, if any, is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset. Subsequently if there is a change in the estimates used to determine the recoverable amount, the impairment loss is reversed. Such reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined on the date of reversal, if no impairment loss had been recognized. Such impairment and any subsequent reversal is recognized under the head "Depreciation and amortization expense" in the statement of profit and loss.

(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 interim 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, equity and other eligible market securities.
- ii. In respect of superannuation, a defined contribution plan for applicable employees, the Company contributes to the superannuation trust and the scheme is administered on its behalf by appointed fund managers and such contributions for each period of service rendered by the employees are charged to the statement of profit and loss. The Company has no further obligations to the superannuation plan beyond its contributions.
- iii. **Gratuity liability:** The Company and its subsidiaries in India and certain foreign geographies 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 limit in accordance with regulatory requirement of respective geography). 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.

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.

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- 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 and loss in the period in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and 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 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 condensed consolidated interim statement of profit and 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 and 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. 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 condensed consolidated interim 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 and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled receivables, trade and other receivables.

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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 and 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 and loss.

Financial assets at fair value through profit and loss

Any financial asset, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial assets included at the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and 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 and 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 and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in statement of profit and loss.

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 and loss

Financial liabilities designated upon initial recognition at fair value through profit and 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 and 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 and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

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

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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 and 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 and loss. The ineffective portion of hedging derivatives is immediately recognized in other income (expenses) in the statement of profit and 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.

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 period earnings.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the condensed consolidated interim 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 period 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 period presented.

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

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

(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 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.

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 purposes of its business in terms of Section 10AA(2) of the Act for availing tax benefit.

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 and 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 and loss when the hedged item affects profit and 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 and loss when the debt instrument is sold.

2 ACQUISITIONS

(a) Arrangements / acquisitions in current period

i. Arrangement with State Street International Holdings, USA (State Street)

The Group was providing certain business process outsourcing (BPO) services to State Street and its affiliates through a joint venture. With effect from 1 April 2024, the Group has divested its stake in the joint venture in favour of State Street and the agreement for related services has also been terminated. Accordingly, the balance sheet of Statestreet HCL Holding UK Limited (and its step down subsidiaries) is de-consolidated from that date. The Group has received consideration of \$172 (net of cash of \$15 and other net assets of \$13 transferred). This has also resulted in gain on divestment (refer note 3.15) and net loss carried in "Foreign currency translation reserve" has been reclassified to Statement of Profit and Loss (refer note 3.19).

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

ii. Acquisition of certain assets (CSS) of Communications Technology Group (CTG) from Hewlett Packard Enterprise (HPE)

On 23 May 2024, the Group has signed a definitive agreement to carve-out and acquire certain assets (CSS) of Communications Technology Group (CTG) from HPE for \$225 million. Through this arrangement, the Group will acquire intellectual property (IP), Engineering and R&D talent and customer relationships with global Communication Service Providers (CSPs). The transaction is expected to close in three months period ended 31 December 2024, subject to receipt of applicable regulatory approvals and completion of other customary closing conditions.

iii. Acquisition of Zeenea SAS

On 16 August 2024, the Group through a wholly owned subsidiary, signed a definitive agreement to acquire 100% shareholding of Zeenea SAS, an innovator in data catalog and governance solutions based in France, for consideration payable in cash. The acquisition got consummated on 12 September 2024. The Group paid \$26 on acquisition date.

Total purchase consideration of \$26 has been preliminary allocated based on management estimates of fair values to the acquired assets and liabilities as follows :

	Amount
Net working capital (including cash of \$1)	(1)
Intangible assets	9
Deferred tax liabilities on intangible assets	(2)
Goodwill	20
Total purchase consideration	26

The resultant goodwill is non-tax deductible and has been allocated to the HCL Software segment. The acquisition will enable HCL Software segment to offer a unified data intelligence solution that will power enterprises to discover, govern, connect, manage and leverage the data better in their data engineering & GenAI domain.

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>
Technology	7	8
Customer relationships	1	5
Brand	1	2.5
Total intangible assets	9	

The Group is in the process of making a final determination of purchase price allocation, including fair value of assets and liabilities which may result into adjustments in the value of certain assets and liabilities.

(b) Acquisitions in the previous year

i. Acquisition of ASAP Group

On 12 July 2023, the Group through a wholly owned subsidiary, signed a definitive agreement to acquire 100% shareholding of ASAP Group, an automotive engineering services company, based in Germany, for consideration payable in cash. The acquisition got consummated on 31 August 2023 post regulatory approvals. The Group paid \$252 on acquisition date.

HCL Technologies Limited**Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)**

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

Total purchase consideration of \$252 was allocated based on fair values to the acquired assets and liabilities as follows:

	<u>Amount</u>
Property plant and equipment, net (including capital work in progress and software)	45
Right-of-use assets	25
Net working capital (including cash of \$5)	21
Borrowings	(25)
Lease liabilities	(25)
Deferred tax liabilities (net)	(19)
Intangible assets	63
Goodwill	167
Total purchase consideration	<u>252</u>

The resultant goodwill is non-tax deductible and has been allocated to the Engineering and R&D Services segment. The acquisition will boost Group's global leadership in engineering services by strengthening its advanced technology capabilities in the fast-growing automotive engineering services segment in Europe and other key global markets.

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	45	10
Brand	12	5
Customer contracts	4	1
Non-compete agreement	2	2
Total intangible assets	<u>63</u>	

Subsequent to the date of acquisition, during the previous year ended 31 March 2024, the Group finalised the purchase price allocation for this acquisition, which resulted in decrease in net assets by \$4 with corresponding increase in value of goodwill.

In addition to the purchase consideration, \$16 is payable to certain key employees over a three-year period, contingent upon these employees continuing to be the employees of the Group on the payment date and achievement of certain performance conditions. This amount is being accounted for as post-acquisition employee compensation expense.

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3 Notes to condensed consolidated interim financial statements

3.1 Property, plant and equipment

The changes in the carrying value for the period ended 30 September 2024

	Freehold land	Buildings	Plant and equipment	Office Equipment	Computers and networking equipment	Furniture and fixtures	Vehicles #	Total
Gross block as at 1 April 2024	11	424	259	51	846	117	25	1,733
Additions	-	1	9	1	27	7	3	48
Disposals/other adjustments	-	-	4	-	16	5	3	28
Divestment in subsidiaries	-	-	3	1	9	3	-	16
Translation exchange differences	(1)	(2)	-	-	9	-	(1)	5
Gross block as at 30 September 2024	10	423	261	51	857	116	24	1,742
Accumulated depreciation as at 1 April 2024	-	189	186	39	633	88	11	1,146
Depreciation	-	10	11	2	52	4	2	81
Disposals/other adjustments	-	-	4	-	15	5	2	26
Divestment in subsidiaries	-	-	2	1	7	3	-	13
Translation exchange differences	-	(1)	(3)	1	9	-	-	6
Accumulated depreciation as at 30 September 2024	-	198	188	41	672	84	11	1,194
Net block as at 30 September 2024	10	225	73	10	185	32	13	548
Capital work in progress*								21

* During the period ended 30 September 2024, \$12 has been capitalized and transferred from capital work in progress to property, plant and equipment

Also refer footnote 1 of note 3.10

The changes in the carrying value for the year ended 31 March 2024

	Freehold land	Buildings	Plant and equipment	Office Equipment	Computers and networking equipment	Furniture and fixtures	Vehicles #	Total
Gross block as at 1 April 2023	11	422	238	48	823	114	20	1,676
Additions	-	2	6	4	57	4	8	81
Acquired through business combination	-	7	25	2	-	7	-	41
Disposals/other adjustments	-	-	7	2	27	8	3	47
Translation exchange differences	-	(7)	(3)	(1)	(7)	-	-	(18)
Gross block as at 31 March 2024	11	424	259	51	846	117	25	1,733
Accumulated depreciation as at 1 April 2023	-	170	173	38	546	85	10	1,022
Depreciation	-	21	21	3	119	9	4	177
Disposals/other adjustments	-	-	5	2	25	7	3	42
Translation exchange differences	-	(2)	(3)	-	(7)	1	-	(11)
Accumulated depreciation as at 31 March 2024	-	189	186	39	633	88	11	1,146
Net block as at 31 March 2024	11	235	73	12	213	29	14	587
Capital work in progress*								13

* During the year ended 31 March 2024, \$5 was capitalized and transferred from capital work in progress to property, plant and equipment

Also refer footnote 1 of note 3.10

HCL Technologies Limited**Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)**

(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 period ended 30 September 2024

	IT and Business Services	Engineering and R&D services	HCL Software	Total
Opening balance as at 1 April 2024	898	553	964	2,415
Acquired through business combination (refer note 2(a)(iii))	-	-	20	20
Divestment in subsidiaries	(1)	-	-	(1)
Translation exchange differences	30	6	(1)	35
Closing balance as at 30 September 2024	927	559	983	2,469

The following table presents the changes in the carrying value of goodwill based on identified CGUs, for the year ended 31 March 2024

	IT and Business Services	Engineering and R&D services	HCL Software	Total
Opening balance as at 1 April 2023	897	388	975	2,260
Acquired through business combinations	-	167	-	167
Measurement period adjustments (refer note 2(b)(i))	-	4	-	4
Translation exchange differences	1	(6)	(11)	(16)
Closing balance as at 31 March 2024	898	553	964	2,415

Note: The Group tests goodwill for impairment annually, or more frequently when there is an indication for impairment, and tests intangible assets for impairment when there is an indicator for impairment.

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

(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 period ended 30 September 2024

	Software	Licensed IPRs	Customer relationships	Customer contracts	Technology	Others	Total
Gross block as at 1 April 2024	134	693	973	7	372	37	2,216
Additions	9	-	2	-	-	-	11
Acquired through business combination	-	-	1	-	7	1	9
Disposals / other adjustments	1	-	-	-	-	-	1
Translation exchange differences	1	(3)	2	-	(2)	1	(1)
Gross block as at 30 September 2024	143	690	978	7	377	39	2,234
Accumulated amortization and impairment as at 1 April 2024	122	414	574	2	234	14	1,360
Amortization, net	5	28	47	2	23	4	109
Disposals / other adjustments	1	-	-	-	-	-	1
Translation exchange differences	1	(2)	-	-	-	-	(1)
Accumulated amortization and impairment as at 30 September 2024	127	440	621	4	257	18	1,467
Net block as at 30 September 2024	16	250	357	3	120	21	767
Estimated remaining useful life (in years)	3	8	9	2	8	4	

The changes in the carrying value for the year ended 31 March 2024

	Software	Licensed IPRs	Customer relationships	Customer contracts	Technology	Others	Total
Gross block as at 1 April 2023	132	698	940	12	376	22	2,180
Additions	3	6	-	4	-	-	13
Acquired through business combination	2	-	45	4	-	14	65
Disposals/ other adjustments	1	2	-	13	-	-	16
Translation exchange differences	(2)	(9)	(12)	-	(4)	1	(26)
Gross block as at 31 March 2024	134	693	973	7	372	37	2,216
Accumulated amortization and impairment as at 1 April 2023	113	369	474	12	188	8	1,164
Amortization, net	11	50	107	3	48	6	225
Disposals / other adjustments	-	-	-	13	-	-	13
Translation exchange differences	(2)	(5)	(7)	-	(2)	-	(16)
Accumulated amortization and impairment as at 31 March 2024	122	414	574	2	234	14	1,360
Net block as at 31 March 2024	12	279	399	5	138	23	856
Estimated remaining useful life (in years)	3	9	9	3	5	4	

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3.4 Investments

	As at	
	30 September 2024	31 March 2024
Financial assets		
Non - current		
Unquoted investments		
Carried at fair value through profit and loss		
Equity instruments	2	1
Investment in limited liability partnership	10	10
	12	11
Current		
Quoted investments		
Carried at fair value through other comprehensive income		
Investment in debt securities	421	419
Unquoted investments		
Carried at fair value through profit and loss		
Investment in mutual funds	479	426
	900	845
Total investments - financial assets	912	856
Aggregate amount of quoted investments	421	419
Aggregate amount of unquoted investments	491	437
Market value of quoted investments	421	419
Investment carried at fair value through other comprehensive income	421	419
Investment carried at fair value through profit and loss	491	437

HCL Technologies Limited
Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3.5 Trade receivables

	As at	
	30 September 2024	31 March 2024
Non-Current		
Unbilled receivables	102	75
	102	75
Current		
Billed		
Trade receivables (refer note below)	2,248	2,400
Loss allowance for bad and doubtful debts	(67)	(63)
	2,181	2,337
Unbilled receivables (refer note below)	748	724
	2,929	3,061

Note: Includes receivables from related parties amounting to \$2(31 March 2024, \$2)

3.6 Cash and cash equivalents and other bank balances

	As at	
	30 September 2024	31 March 2024
(a) Cash and cash equivalents		
Balance with banks	765	981
Deposits with original maturity of less than 3 months (including deposits with corporations and financial institutions with original maturity less than 3 months)	334	112
Cheques in hand	12	2
Remittances in transit	9	37
Unclaimed dividend account	2	2
	1,122	1,134
Cash and cash equivalents consists of the following for the purpose of the cash flow statement:		
Cash and cash equivalents	1,122	1,134
Bank overdraft (refer note 3.10)	(1)	(2)
	1,121	1,132
(b) Deposits with banks		
Short term deposits	1,206	1,282

HCL Technologies Limited
Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3.7 Other financial assets

	As at	
	30 September 2024	31 March 2024
Non - current		
Carried at amortized cost		
Finance lease receivables	66	61
Security deposits	16	17
Bank deposits with more than 12 months maturity	76	-
Others	53	30
	211	108
Carried at fair value through other comprehensive income		
Unrealized gain on derivative financial instruments	16	53
	227	161
Current		
Carried at amortized cost		
Finance lease receivables	54	59
Interest receivable	56	46
Security deposits	10	10
Amount receivable on redemption of mutual funds	14	-
Others	35	9
	169	124
Carried at fair value through other comprehensive income		
Unrealized gain on derivative financial instruments	13	24
Carried at fair value through profit and loss		
Unrealized gain on derivative financial instruments	4	-
	186	148

3.8 Other assets

	As at	
	30 September 2024	31 March 2024
Non - current		
Prepaid expenses	46	33
Deferred contract cost	143	162
Contract assets	63	27
Capital advances	2	1
Security deposits	5	4
	259	227
Current		
Prepaid expenses	261	218
Deferred contract cost	92	109
Contract assets	104	108
Advances to suppliers	11	12
Security deposits	7	7
Advances to employees	5	5
Others	58	50
	538	509

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

3.9 Equity share capital

	As at	
	30 September 2024	31 March 2024
Authorized 3,017,000,000 (31 March 2024, 3,017,000,000) equity shares of INR 2 each	79	79
Issued, subscribed and fully paid up 2,713,665,096 (31 March 2024, 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 ₹ 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 / period

	As at			
	30 September 2024		31 March 2024	
	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 / period

	No. of shares	
	As at	
	30 September 2024	31 March 2024
Number of shares at the beginning	5,674,579	6,300,153
Add: Acquisition of shares by the Trust	3,000,000	-
Less: Issue of treasury shares to employees on exercise of RSUs	(3,726,248)	(625,574)
Number of shares at the end	4,948,331	5,674,579

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 22 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.

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Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3.10 Borrowings

	Non-current		Current	
	As at		As at	
	30 September 2024	31 March 2024	30 September 2024	31 March 2024
Long term borrowings				
Secured				
Term loans from banks (refer note 1 and 2 below)	11	14	7	8
Unsecured				
Senior notes (refer note 3 below)	251	251	-	-
Term loans from banks (refer note 4 and 5 below)	2	2	1	3
	264	267	8	11
Less: current maturities of long term borrowings	-	-	(8)	(11)
	264	267	-	-
Short term borrowings				
Unsecured				
Bank overdraft (refer note 6 below)	-	-	1	2
Current maturities of long term borrowings	-	-	8	11
	-	-	9	13

Note:

1. The Group has term loans of \$4 (31 March 2024, \$6) secured against gross block of vehicles of \$12 (31 March 2024, \$15) at interest rates ranging from 7.50% p.a. to 9.15% p.a. (31 March 2024, 7.50% p.a. to 9.15% p.a.). The loans are repayable over a period of 3 to 5 years on a monthly basis.

2. The Group has term loans of \$14 (31 March 2024, \$16) secured against assets of certain subsidiaries at interest rates ranging from 0.7% p.a. to 2.6% p.a. The loans are repayable till June 2031 on monthly / quarterly basis.

3. 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.

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.

4. Unsecured long term loans as at 31 March 2024 of \$1 borrowed from banks at interest rates ranging from 9.10% p.a. to 9.15% p.a. was repaid during the period.

5. The Group has unsecured term loans of \$3 (31 March 2024, \$4) at interest rates ranging from 0.7% p.a. to 2.9% p.a. The loans are repayable till December 2027 on monthly / quarterly basis.

6. Represents bank overdrafts required for management of working capital at interest rate of 5.0% (31 March 2024, 5.0% p.a. to 6.19%) are repayable on demand.

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3.11 Other financial liabilities

	As at	
	30 September 2024	31 March 2024
Non - current		
Carried at amortized cost		
Employee bonuses accrued	9	5
Capital accounts payables	12	24
Others	51	52
	72	81
Carried at fair value through profit and loss		
Others	9	7
	9	7
	81	88
Current		
Carried at amortized cost		
Accrued salaries and benefits		
Employee bonuses accrued	309	391
Other employee costs	190	204
Liabilities towards customer contracts	34	26
Capital accounts payables	47	41
Other	22	13
	602	675
Carried at fair value through profit and loss		
Unrealized loss on derivative financial instruments	1	1
Contingent consideration	-	6
	1	7
	603	682

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3.12 Provisions and other liabilities

	As at	
	30 September 2024	31 March 2024
(a) Provisions		
Non-current		
Provision for employee benefits		
Provision for gratuity	107	93
Provision for pension	15	14
Provision for leave benefits	94	86
	216	193
Current		
Provision for employee benefits		
Provision for gratuity	25	23
Provision for pension	1	1
Provision for leave benefits	119	111
Other provisions	24	25
	169	160
(b) Other liabilities		
Non - current		
Other deposits	7	7
	7	7
Current		
Advances received from customers	18	19
Withholding and other statutory dues	236	242
Others	2	2
	256	263

3.13 Revenues

The Group disaggregates revenue from contracts with customers by nature of services and geography.

	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Sale of services	3,384	3,171	6,690	6,293
Sale of hardware and software	61	54	119	132
	3,445	3,225	6,809	6,425

Group operates out of various geographies and America and Europe constitute major portion of revenue accounting for over 58% and 27% and 58% and 26% for the the three months period ended 30 September 2024 and 2023 respectively and 59% and 26% and 58% and 26% for the six months period ended 30 September 2024 and 2023 respectively and rest of revenue is generated by various other geographies. Revenue and cash flow from these geographies are consistent across various periods and are effected only in cases of specific risk with respect to any country or customer as the case may be.

HCL Technologies Limited

Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

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:

	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Employee benefits expense	1,972	1,844	3,939	3,671
Outsourcing costs	447	424	872	866
Cost of hardware and softwares sold	56	49	107	114
Travel and conveyance	43	32	88	79
Software license fee	37	30	74	58
Communication costs	16	17	32	33
Repair and maintenance	21	21	43	44
Legal and professional charges	20	17	40	36
Recruitment, training and development	10	7	21	18
Expenditure toward corporate social responsibility activities	9	6	16	15
Power and fuel	11	11	22	22
Insurance	4	4	8	7
Rent	3	2	5	3
Rates and taxes	3	6	8	11
Provision for doubtful debts / bad debts written off, net	-	5	4	6
Other expenses	33	32	75	68
Total cost of revenues, research and development expenses, selling, general and administrative expenses	2,685	2,507	5,354	5,051

3.15 Other income (expenses), net

	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Interest income				
- On debt securities	8	6	16	13
- On bank and other deposits	35	30	72	56
- On others	3	2	5	4
Income on investments carried at fair value through profit and loss				
- Unrealized gains (loss) on fair value changes on mutual funds	1	-	-	-
- Profit on sale of mutual funds	5	4	11	8
Profit on sale of property, plant and equipments (net)	1	-	1	-
Exchange differences (net)	-	(1)	(5)	(4)
Gain on divestment in subsidiaries	-	-	69	-
Miscellaneous income	1	2	3	5
	54	43	172	82

HCL Technologies Limited**Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)**

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

3.16 Finance costs

	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Interest on lease liabilities	6	4	11	8
Interest on direct taxes	1	1	3	2
Other interest costs and bank charges	8	14	24	19
	15	19	38	29

3.17 Income taxes

The effective tax rate (ETR) for the Group for the three and six months ended 30 September 2024 is 25.5% and 25.7% respectively, and for three and six months ended 30 September 2023 is 25.2% and 25.0% respectively. ETR during the three and six months ended 30 September 2024 is higher primarily due to the progressive expiry of tax holiday available to SEZ units in India.

The Company and its subsidiaries in India are subject to Minimum Alternate Tax (MAT) on its book profits if normal tax liability is lower than MAT, 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 2025 to 2039. The Group has unutilized MAT credit of \$56 and \$134 as at 30 September 2024 and 31 March 2024.

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 1 April 2022 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. The Company has significant inter-company transactions with certain subsidiaries in 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.

3.18 Earnings Per Equity Share

The computation of earnings per equity share is as follows:

	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Profit for the period attributable to owners of the Company	506	464	1,002	894
Weighted average number of equity shares outstanding in calculating basic EPS	2,710,462,014	2,707,860,231	2,711,330,595	2,707,682,599
Dilutive effect of Restricted Stock Units outstanding	1,764,640	4,626,242	1,468,991	4,570,542
Weighted average number of equity shares outstanding in calculating diluted EPS	2,712,226,654	2,712,486,473	2,712,799,586	2,712,253,141
Nominal value of equity shares (in ₹)	2	2	2	2
Earnings per equity share (in USD)				
- Basic	0.19	0.17	0.37	0.33
- Diluted	0.19	0.17	0.37	0.33

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

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

	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
<u>A. Items that will not be reclassified subsequently to statement of profit and loss</u>				
Remeasurement of defined benefit plans				
Opening balance (net of tax)	24	23	25	23
Actuarial gains (losses)	(6)	-	(6)	-
Income tax expense	4	-	4	-
Translation exchange differences	1	-	-	-
Closing balance (net of tax)	23	23	23	23
<u>B. Items that will be reclassified subsequently to statement of profit and loss</u>				
Foreign currency translation reserve				
Opening balance	(454)	(389)	(462)	(390)
Foreign currency translation gains (losses)	72	(86)	70	(85)
Net loss reclassified into statement of profit and loss on divestment in subsidiaries	-	-	10	-
Closing balance	(382)	(475)	(382)	(475)
Cash flow hedging reserve				
Opening balance (net of tax)	66	52	60	10
Unrealized gains (losses)	(56)	(4)	(35)	50
Net gain reclassified into statement of profit and loss on occurrence of hedged transactions	(3)	(2)	(13)	(3)
Income tax benefit (expense)	14	1	9	(10)
Translation exchange differences	-	(1)	-	(1)
Closing balance (net of tax)	21	46	21	46
Unrealized gain on debt instruments				
Opening balance (net of tax)	-	-	-	-
Unrealized gain (losses)	-	-	-	-
Income tax benefit	-	-	-	-
Closing balance (net of tax)	-	-	-	-
TOTAL (B)	(361)	(429)	(361)	(429)

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

3.20 Financial instruments

Financial assets and liabilities

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

	Fair value through profit and loss	Fair value through other comprehensive income	Amortized cost	Total carrying value
As at 30 September 2024				
Financial assets				
Investments	491	421	-	912
Trade receivables (including unbilled)	-	-	3,031	3,031
Cash and cash equivalents	-	-	1,122	1,122
Deposits with banks	-	-	1,206	1,206
Deposits with Corporations	-	-	135	135
Other financial assets	4	29	380	413
Total	495	450	5,874	6,819
Financial liabilities				
Borrowings	-	-	273	273
Lease liabilities	-	-	417	417
Trade payables (including unbilled and accruals)	-	-	651	651
Other financial liabilities	10	-	674	684
Total	10	-	2,015	2,025

	Fair value through profit and loss	Fair value through other comprehensive income	Amortized cost	Total carrying value
As at 31 March 2024				
Financial assets				
Investments	437	419	-	856
Trade receivables (including unbilled)	-	-	3,136	3,136
Cash and cash equivalents	-	-	1,134	1,134
Deposits with banks	-	-	1,282	1,282
Deposits with Corporations	-	-	129	129
Other financial assets	-	77	232	309
Total	437	496	5,913	6,846
Financial liabilities				
Borrowings	-	-	280	280
Lease liabilities	-	-	412	412
Trade payables (including unbilled and accruals)	-	-	702	702
Other financial liabilities	14	-	756	770
Total	14	-	2,150	2,164

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 three and six months period ended 30 September 2024 and 2023, the Group has sold certain receivables on non-recourse basis. Gains or losses on the sales are recorded at the time of transfers of these receivables and are immaterial.

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

3.20 Financial instruments (continued)

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 30 September 2024				
Assets				
Investments carried at fair value through profit and loss	491	479	-	12
Investments carried at fair value through other comprehensive income	421	-	421	-
Unrealized gain on derivative financial instruments	33	-	33	-
Liabilities				
Unrealized loss on derivative financial instruments	1	-	1	-
Others financial liabilities	9	-	-	9

	Fair Value	Level 1 inputs	Level 2 inputs	Level 3 inputs
As at 31 March 2024				
Assets				
Investments carried at fair value through profit and loss	437	426	-	11
Investments carried at fair value through other comprehensive income	419	-	419	-
Unrealized gain on derivative financial instruments	77	-	77	-
Liabilities				
Unrealized loss on derivative financial instruments	1	-	1	-
Contingent consideration	6	-	-	6
Others financial liabilities	7	-	-	7

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

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 and 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.

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.

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

3.20 Financial instruments - (continued)

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 financial 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	Contingent consideration	Other financial liabilities
Balance as at 1 April 2023	14	6	12
Recognized in statement of profit and loss	-	-	(1)
Additional investments	1	-	-
Proceeds from sale of equity instruments	(1)	-	-
Translation exchange differences	(1)	-	(1)
Balance as at 30 September 2023	13	6	10
Balance as at 1 April 2024	11	6	7
Recognized in statement of profit and loss	-	-	1
Additional investments	1	-	-
Payment of liability	-	(6)	-
Exchange differences	-	-	-
Translation exchange differences	-	-	1
Balance as at 30 September 2024	12	-	9

3.21 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.

Segment accounting policies

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

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Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)

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

3.21 Segment Reporting (continued)

(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. Segment revenue does not include other income (expenses), net. Segment expenses do not include finance cost and tax expense. Inter segment revenue primarily relates to software and related services 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.

Financial information about the business segments is as follows:

	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Revenue from operations from external customers				
IT and Business Services	2,571	2,407	5,078	4,798
Engineering and R&D services	543	518	1,077	1,013
HCL Software	331	300	654	614
Total	3,445	3,225	6,809	6,425
Inter-segment revenue				
IT and Business Services	-	-	-	-
Engineering and R&D services	-	-	-	-
HCL Software	11	12	22	23
Total	11	12	22	23
Segment revenues				
IT and Business Services	2,571	2,407	5,078	4,798
Engineering and R&D services	543	518	1,077	1,013
HCL Software	342	312	676	637
Inter-segment elimination	(11)	(12)	(22)	(23)
Total	3,445	3,225	6,809	6,425
Segment results				
IT and Business Services	452	436	869	821
Engineering and R&D services	101	100	190	183
HCL Software	87	60	156	135
Total	640	596	1,215	1,139
Finance cost	(15)	(19)	(38)	(29)
Other income (expenses), net	54	43	172	82
Profit before tax	679	620	1,349	1,192
Tax expense	(173)	(156)	(347)	(298)
Profit for the period	506	464	1,002	894

Effective 1 April 2024, services related to certain software products, previously under HCL Software, are now managed by IT and Business Services and Engineering and R&D Services segments. Revenues and results have been reported under respective segments, with prior period figures restated. The impact of this change is immaterial for the segments.

HCL Technologies Limited**Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)**

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

3.22 Commitments and contingent liabilities

	As at	
	30 September 2024	31 March 2024
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)	29	39
Uncalled liability on other investments partly paid		
Capital commitment in limited liability partnership	-	-
ii) Contingent liabilities		
Others	41	41
	70	80

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 30 September 2024.
- (c) A wholly owned subsidiary ('WOS') of the Company, having 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 \$16 (₹ 133 crores), including penalty, interest and interest on penalty. In July 2021, the WOS has received a revised demand for an amount of \$41 (₹ 346 crores) after updating interest up to July 2021. Demand is primarily due to DoT including IT Services revenues and related exchange gains in Adjusted Gross Revenue (AGR). In March 2022, the WOS received a favourable judgement from TDSAT setting aside the demand raised by DoT.

In August 2023, DoT has filed an appeal against the order passed by TDSAT in the Hon'ble Supreme Court. Appeal, including condonation of delay in filing the appeal, is yet to be admitted by Hon'ble Supreme Court. Subsequent to this appeal, the WOS has obtained a legal opinion and is of the view that it should be able to defend its position in the above matter

HCL Technologies Limited**Notes to condensed consolidated interim financial statements for the period ended 30 September 2024 (unaudited)**

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

3.23 Related party transactions

The following table presents material related parties transactions entered during the normal course of business:

	Significant influence			
	Three months ended		Six months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Interim dividend paid				
Vama Sundari Investments (Delhi) Private Limited	170	141	429	404
HCL Holdings Private Limited	64	53	160	151

3.24 Subsequent events

The Board of Directors have declared an interim dividend of ₹12 per share at its meeting held on 14 October 2024.