Sankguj Semiconductor Private Limited

Financial Statements

Year ended 31 March 2020

Sankguj Semiconductor Private Limited
Balance Sheet
(All amounts are in ₹)

	Note	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**4.1**	-	325,249	-
(b) Other intangible assets	**4.2**	-	6,610	-
(c) Financial assets				
(i) Other financial assets	**4.3**	-	150,000	75,000
(d) Deferred tax assets (net)	**4.17**	102,171	-	-
(e) Non current tax assets (net)		2,496,900	1,272,619	-
		2,599,071	1,754,478	75,000
(2) Current assets				
(a) Financial assets				
(i) Trade receivables	**4.4**	-	2,397,505	-
(ii) Cash and cash equivalents	**4.5**	639,965	569,231	3,079,117
(iii) Other financial assets	**4.3**	145,961	1,304,331	-
(b) Other current assets	**4.6**	-	774,311	447,323
		785,926	5,045,378	3,526,440
TOTAL ASSETS		**3,384,997**	**6,799,856**	**3,601,440**
II. EQUITY				
(a) Equity share capital	**4.7**	4,300,000	4,300,000	4,300,000
(b) Other equity		(3,436,266)	(4,231,971)	(1,273,188)
TOTAL EQUITY		863,734	68,029	3,026,812
III. LIABILITIES				
(1) Non Current liabilities				
(a) Financial liabilities				
(i) Borrowings	**4.8**	2,000,000	-	-
		2,000,000	-	-
(2) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	**4.8**	-	4,000,000	-
(ii) Trade payables	**4.9**			
-total outstanding dues of micro enterprises and small enterprises		-	-	-
-total outstanding dues of creditors other than micro enterprises and small enterprises		-	14,326	6,150
(iii) Other financial liabilities	**4.10**	515,207	1,908,556	467,874
(b) Other current liabilities	**4.11**	6,056	808,945	100,604
		521,263	6,731,827	574,628
TOTAL EQUITY AND LIABILITIES		**3,384,997**	**6,799,856**	**3,601,440**
Summary of significant accounting policies	**2**			

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number : 116231W/W-100024

ANKIT DAGA
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Ankit Daga
Partner
Membership Number: 512486

Bengaluru, India
22 July , 2020

For and on behalf of the Board of Directors
of Sankguj Semiconductor Private Limited

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Subramanian Gopalakrishnan
Director
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Anup Dutta
Director
DIN: 01051776

Noida (UP), India
22 July , 2020

Sankguj Semiconductor Private Limited
Statement of Profit and Loss
(All amounts are in ₹)

	Note	Year ended 31 March 2020	Year ended 31 March 2019
I. Revenue			
Revenue from operations	**4.12**	26,806,383	14,027,547
Other income	**4.13**	650	500,000
Total income		**26,807,033**	**14,527,547**
II. Expenses			
Employee benefits expense	**4.14**	23,218,886	15,963,932
Finance costs	**4.15**	323,323	126,735
Depreciation and amortization expense	**4.1 & 4.2**	553,459	140,768
Other expenses	**4.16**	1,915,660	1,254,895
Total expenses		**26,011,328**	**17,486,330**
III. Profit before tax		**795,705**	**(2,958,783)**
IV. Tax expense			
Current tax	**4.17**	102,171	-
Deferred tax charge (MAT credit)	**4.17**	(102,171)	-
Total tax expense		-	-
V. Profit for the year		**795,705**	**(2,958,783)**
Earnings per equity share of ₹ 2 each	**4.18**		
Basic (in ₹)		0.37	(1.38)
Diluted (in ₹)		0.37	(1.38)
Summary of significant accounting policies	**2**		

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Bengaluru, India
22 July , 2020

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Director
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ANUP DUTTA

Anup Dutta
Director
DIN: 01051776

Noida (UP), India
22 July , 2020

Sankguj Semiconductor Private Limited

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

(All amounts are in ₹ except share data unless otherwise stated)

	Equity share capital		Other equity attributable to the shareholders of the company
	Shares	Share capital	Retained earnings
Balance as at 1 April, 2018 as per Previous GAAP	2,150,000	4,300,000	(1,273,188)
Effects of transition	-	-	-
Balance as at 1 April, 2018 as per Ind AS	2,150,000	4,300,000	(1,273,188)
Profit/(loss) for the year	-	-	(2,958,783)
Balance as at 31 March, 2019	**2,150,000**	**4,300,000**	**(4,231,971)**
Balance as at 1 April, 2019	2,150,000	4,300,000	(4,231,971)
Profit for the year	-	-	795,705
Total comprehensive income for the year	-	-	795,705
Balance as at 31 March, 2020	**2,150,000**	**4,300,000**	**(3,436,266)**

Summary of significant accounting policies **1**

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

for **B S R & Associates LLP**
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Ankit Daga
Partner
Membership Number: 512486

Bengaluru, India
22 July , 2020

For and on behalf of the Board of Directors
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Anup Dutta
Director
DIN: 01051776

Noida (UP), India
22 July , 2020

Sankguj Semiconductor Private Limited
Statement of Cash flows
(All amounts are in ₹)

		Year ended 31 March 2020	Year ended 31 March 2019
A. Cash flows from operating activities			
Profit/(loss) before tax		795,705	(2,958,783)
Adjustment for:			
Depreciation and amortization		553,459	140,768
Interest cost		322,615	126,027
Operating profit before working capital changes		**1,671,779**	**(2,691,988)**
Movement in Working Capital			
(Increase) decrease in trade receivables		2,397,505	(2,397,505)
(Increase) decrease in other financial assets		1,308,370	(1,379,331)
(Increase) decrease in other assets		774,312	(326,988)
Increase (decrease) in trade payables		(14,326)	8,176
Increase (decrease) in other financial liabilities		(1,594,425)	1,327,965
Increase (decrease) in provisions and other liabilities		(802,889)	708,341
Cash generated/(used in) from operations		**3,740,326**	**(4,751,330)**
Direct taxes paid (net of refunds)		(1,326,452)	(1,272,619)
Net cash generated from/ (used in) operating activities	**(A)**	**2,413,874**	**(6,023,949)**
B. Cash flows from investing activities			
Purchase of plant and equipment and intangibles		(221,600)	(472,627)
Net cash used in investing activities	**(B)**	**(221,600)**	**(472,627)**
C. Cash flows from financing activities			
Proceeds from borrowings		2,000,000	4,000,000
Repayment of borrowings		(4,000,000)	-
Interest expenses paid		(121,540)	(13,310)
Net cash used in financing activities	**(C)**	**(2,121,540)**	**3,986,690**
Net increase / (decrease) in cash and cash equivalents (A+B+C)		70,734	(2,509,886)
Cash and cash equivalents at the beginning of the year		569,231	3,079,117
Cash and cash equivalents at the end of the year as per note 4.5		**639,965**	**569,231**
Summary of significant accounting policies (Note 2)			

As per our report of even date attached

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number : 116231W/W-100024

ANKIT DAGA Digitally signed by ANKIT DAGA Date: 2020.07.22 20:04:26 +05'30'

Ankit Daga
Partner
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Bengaluru, India
22 July , 2020

For and on behalf of the Board of Directors
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ANUP DUTTA

Subramanian Gopalakrishnan
Director
DIN: 06799278

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Director
DIN: 01051776

Noida (UP), India
22 July , 2020

1. COMPANY OVERVIEW

1.1 Reporting entity

Sankguj Semiconductor Private Limited (hereinafter referred to as "the Company") is primarily engaged in providing a range of design services to semiconductor industry. The Company was incorporated under the provisions of the Companies Act applicable in India in December 2017, having its registered office at 28, Ashwaraj Bunglows, Nr. Auda Garden, Prahladnagar, Vejalpur, Ahmedabad, Ahmedabad, Gujarat, India, 380015.

1.2 Basis of Preparation of financial statements

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended). These financial statements are presented in Indian Rupee ('₹'), which is also the functional currency of the Company.

The financial statements up to and for the year ended 31 March 2019 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('Indian GAAP' or 'previous GAAP').

As these are the Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position and financial performance of the Company is provided in note 3.

The financial statements for the year ended 31st March, 2020 were approved and authorized for issue by the Board of Directors on 22 July 2020.

The preparation of these financial statements has resulted in changes to the Company's accounting policies as compared to the most recent annual financial statements prepared under Previous GAAP. Accounting policies have been applied consistently to all years presented in the financial statements including the preparation of the (Ind AS) opening balance sheet as at 1 April, 2018 ('Transition date') for the purpose of transition to (Ind AS) and as required by Ind AS 101.

b) Functional and presentation currency

These financial statements are presented in Indian Rupee (₹), which is also the functional currency of the Company. Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss.

c) Basis of measurement

These financial statements have been prepared under the historical cost convention on an accrual basis.

d) Going concern

The Company has ceased its operations in January 2020. All the employees have left the organisation in the current year and the Management does not intend to conduct any business activities in the Company. Considering the Company is not expected to continue as a going concern, these financial statements have been prepared under liquidation basis of accounting whereby the carrying value of all assets as at 31 March 2020 have been presented at their estimated realisable value and all liabilities are presented at their estimated settlement amount, subject to conditions being present at the balance sheet date. Tax refunds has been disclosed as non-current as these are not

expected to be received within 12 months from the reporting date. Further , borrowing from the Holding Company has been disclosed as long-term liability according to the terms of the Loan Agreement.

e) Use of estimates and adjustments

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

f) Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 4.19 – financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured at
- amortised cost;
- Fair value through other comprehensive income (FVOCI) – debt investment;
- Fair value through other comprehensive income (FVOCI) – equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
− the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
− the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL :	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost :	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI:	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI:	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

(b) Revenue recognition

The company's only customer during the year is it's Parent Company, Sankalp Semiconductor Private Limited. The Company has a revenue arrangement with the Parent Company in which revenue earned on the basis of time and material incurred by the Company to support the Ultimate customer of the Parent Company.

Revenue from transactions with related parties is recognised as per the terms and arrangement with respective related party. Unbilled revenue represents revenue recognized in excess of billings as at the end of reporting period.

Revenues are stated net of applicable duties or taxes.

Any other income earned is recognized in statement of profit and loss only upon realization.

(c) 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.

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

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

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

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. 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.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the assets will be realised.

(d) Property, plant and equipment

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

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard or period of performance. All other expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

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

Depreciation

Depreciation on fixed assets is provided using the written down method (WDV) over the estimated useful lives of fixed assets based on technical evaluation carried out by the Management. If Management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life / remaining useful life. Pursuant to this policy and based upon Management`s evaluation, depreciation on assets has been provided at the rates based on the following useful lives of fixed assets:

Asset category	Estimated useful life (Years)
Furniture and fixtures	5
Computer and computer equipment	3
Office equipment	5
Networking equipment	6
Electrical installation	10

Pro-rata depreciation is provided on all above assets purchased during the year.

(e) Intangible assets

All the intangible assets of the company as included in the financial statements are computer softwares. Softwares acquired separately are measured on initial recognition at cost. Following initial recognition, softwares are carried at cost less any accumulated amortization and accumulated impairment losses.

Softwares are amortized over the useful life and assessed for impairment whenever there is an indication that the softwares may be impaired. The amortization period and the amortization method for a software with a finite useful life are reviewed at least at the end of each reporting year. The amortization expense on softwares with finite lives is recognized in the statement of profit and loss.

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

The softwares are amortized over the estimated useful life of 3 years.

Pro-rata depreciation is provided on all above assets purchased during the year.

(f) Borrowing costs

The Company has borrowed loans from its director and parent company for working capital needs.

The Company does not have any cost directly atributeable to the acquisition, construction or production of an asset, the borrowing cost on which is necessarily takes a substantial period of time to get ready for its intended use or sale 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.

(g) Leases

Lease payments associated with short-term leases and leases in respect of low value assets are charged off as expenses on straight-line basis over lease term or other systematic basis, as applicable.

(h) Impairment of non-financial assets

Intangible assets and property, plant and equipment

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

(i) Provisions

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

(j) Retirement and other employee benefits

i. Provident fund: Employees of the Company 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 Government administered provident fund; and the balance contribution is made to the Government administered pension fund.

ii. Gratuity liability: The Company provide for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's base salary and the tenure of employment (subject to a maximum of ₹ 10 lacs per employee).

iii. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment.

(k) Financial assets and financial liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

The Company derecognizes a financial asset only when the contractual right to the cash flows from the asset expires, orwhen it transfers the financial asset substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the

financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

The Company has made an irrevocable election to present subsequent changes in the fair value of equity investments not held for trading in other comprehensive income. Financial assets at fair value through profit or loss Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognized in statement of profit and loss.

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets (other than at fair value)

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognizes lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information.

The expected credit loss allowance is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

(l) Earnings per share (EPS)

Basic EPS amounts are computed by dividing the net profit/ (loss) attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the year.

The Company has not issued any dilutive potentional equity shares. The diluted EPS of the company is same as basic EPS of the company.

(m) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprises cash on hand and balances in current account with banks.

(n) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

(o) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

The company doesn't have any contigent assets or liabilities as on the balancesheet dates.

(p) Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

3. FIRST-TIME ADOPTION OF IND AS

The adoption of Ind AS was carried out in accordance with Ind AS 101, using 1 April, 2018 as the transition date. Ind AS 101 requires that all Ind AS standards that are effective for the first Ind AS Financial Statements be applied consistently and retrospectively for all periods presented. There is no resulting difference between the carrying amounts of the assets and liabilities in the financial statements under Ind AS and Previous GAAP as at the transition date.

In preparing these financial statements, the Company has availed of certain exemptions and exceptions in accordance with Ind AS 101 as explained below:

I. Exceptions from full retrospective application

i. **Estimates exception** - Upon review of the estimates made under Previous GAAP, the Company concluded that there was no necessity to revise the estimates under Ind AS.

ii. **Derecognition of financial assets and liabilities exception** - Financial assets and liabilities derecognized in accordance with Previous GAAP are not re-recognized under Ind AS. The Company has chosen not to apply the Ind AS 109 derecognition criteria to an earlier date. No arrangements were identified that had to be assessed under this exception.

II. Reconciliation between previous GAAP and Ind AS

The following reconciliations provide a quantification of the effect of the transition to Ind AS from Previous GAAP in accordance with Ind AS 101:

- Equity as at 1 April 2018 (Transition date)
- Equity as at 31 March 2019
- Statement of Profit and Loss for the year ended 31 March 2019

Sankguj Semiconductor Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in ₹, except share data unless otherwise stated)

(All amounts are in ₹)

Reconciliation of Company equity as at 1 April 2018

	Note	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**4.1**	-	-	-
(b) Other intangible assets	**4.2**	-	-	-
(c) Financial assets			-	-
(i) Other financial assets	**4.3**	75,000	-	75,000
(d) Deferred tax assets (net)	**4.17**	-	-	-
(e) Non current tax assets (net)		-	-	-
		75,000	-	75,000
(2) Current assets				
(a) Financial assets				
(i) Trade receivables	**4.4**	-	-	-
(ii) Cash and cash equivalents	**4.5**	3,079,117	-	3,079,117
(iii) Other financial assets	**4.3**	-	-	-
(b) Other current assets	**4.6**	447,323	-	447,323
		3,526,440	-	3,526,440
TOTAL ASSETS		**3,601,440**	**-**	**3,601,440**
II. EQUITY				
(a) Equity share capital	**4.7**	4,300,000	-	4,300,000
(b) Other equity		(1,273,188)	-	(1,273,188)
TOTAL EQUITY		3,026,812	-	3,026,812
III. LIABILITIES				
(1) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	**4.8**	-	-	-
(ii) Trade payables	**4.9**			
-total outstanding dues of micro enterprises and small enterprises		-	-	-
-total outstanding dues of creditors other than micro enterprises and small enterprises		6,150	-	6,150
(iii) Other financial liabilities	**4.10**	467,874	-	467,874
(b) Other current liabilities	**4.11**	100,604	-	100,604
		574,628	-	574,628
TOTAL EQUITY AND LIABILITIES		**3,601,440**	**-**	**3,601,440**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

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(All amounts in ₹, except share data unless otherwise stated)

(All amounts are in ₹)

Reconciliation of Company equity as at 31 March 2019

	Note	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**4.1**	325,249	-	325,249
(b) Other intangible assets	**4.2**	6,610	-	6,610
(c) Financial assets			-	-
(i) Other financial assets	**4.3**	150,000	-	150,000
(d) Deferred tax assets (net)	**4.17**	-	-	-
(e) Non current tax assets (net)		1,272,619	-	1,272,619
		1,754,478	-	1,754,478
(2) Current assets				
(a) Financial assets				
(i) Trade receivables	**4.4**	2,397,505	-	2,397,505
(ii) Cash and cash equivalents	**4.5**	569,231	-	569,231
(iii) Other financial assets	**4.3**	1,304,331	-	1,304,331
(b) Other current assets	**4.6**	774,311	-	774,311
		5,045,378	-	5,045,378
TOTAL ASSETS		**6,799,856**	**-**	**6,799,856**
II. EQUITY				
(a) Equity share capital	**4.7**	4,300,000	-	4,300,000
(b) Other equity		(4,231,971)	-	(4,231,971)
TOTAL EQUITY		68,029	-	68,029
III. LIABILITIES				
(1) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	**4.8**	4,000,000	-	4,000,000
(ii) Trade payables	**4.9**			
-total outstanding dues of micro enterprises and small enterprises		-	-	-
-total outstanding dues of creditors other than micro enterprises and small enterprises		14,326	-	14,326
(iii) Other financial liabilities	**4.10**	1,908,556	-	1,908,556
(b) Other current liabilities	**4.11**	808,945	-	808,945
		6,731,827	-	6,731,827
TOTAL EQUITY AND LIABILITIES		**6,799,856**	**-**	**6,799,856**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

(All amounts are in ₹)

Reconciliation of Profit and Loss for the year ended 31 March 2019

		Note	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
I.	**Revenue**				
	Revenue from operations	**4.12**	14,027,547	-	14,027,547
	Other income	**4.13**	500,000	-	500,000
	Total income		**14,527,547**	**-**	**14,527,547**
II.	**Expenses**				
	Employee benefits expense	**4.14**	15,963,932	-	15,963,932
	Finance costs	**4.15**	126,735	-	126,735
	Depreciation and amortization expense	**4.1 & 4.2**	140,768	-	140,768
	Other expenses	**4.16**	1,254,895	-	1,254,895
	Total expenses		**17,486,330**	**-**	**17,486,330**
III.	**Profit before tax**		**(2,958,783)**	**-**	**(2,958,783)**
IV.	**Tax expense**				
	Current tax	**4.17**	-	-	-
	Deferred tax charge (MAT credit)	**4.17**	-	-	-
	Total tax expense		-	-	-
V.	**Profit for the year**		**(2,958,783)**	**-**	**(2,958,783)**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Sankguj Semiconductor Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts are in ₹)

4. Notes to financial statements

4.1 Property, plant and equipment

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

	Networking equipments	Office Equipment	Electrical Installations	Computers	Furniture and fixtures	Total
Gross block as at 1 April 2019	**17,760**	**129,497**	**25,000**	**169,914**	**119,600**	**461,771**
Additions	-	-	-	221,600	-	221,600
Gross block as at 31 March 2020	**17,760**	**129,497**	**25,000**	**391,514**	**119,600**	**683,371**
Accumulated depreciation as at 1 April 2019	5,182	47,589	5,675	50,929	27,147	136,522
Charge for the year *	12,578	81,908	19,325	340,585	92,453	546,849
Accumulated depreciation as at 31 March 2020	**17,760**	**129,497**	**25,000**	**391,514**	**119,600**	**683,371**
Net block as at 31 March 2020	**-**	**-**	**-**	**-**	**-**	**-**

* This is after depreciation

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

	Networking equipments	Office Equipment	Electrical Installations	Computers	Furniture and fixtures	Total
Gross block as at 1 April 2018	**-**	**-**	**-**	**-**	**-**	**-**
Additions	17,760	129,497	25,000	169,914	119,600	461,771
Gross block as at 31 March 2019	**17,760**	**129,497**	**25,000**	**169,914**	**119,600**	**461,771**
Accumulated depreciation as at 1 April 2018	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the year	5,182	47,589	5,675	50,929	27,147	136,522
Accumulated depreciation as at 31 March 2019	**5,182**	**47,589**	**5,675**	**50,929**	**27,147**	**136,522**
Net block as at 31 March 2019	**12,578**	**81,908**	**19,325**	**118,985**	**92,453**	**325,249**
Net block as at 1 April 2018	**-**	**-**	**-**	**-**	**-**	**-**

4.2 Other intangible assets

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

	Software
Gross block as at 1 April 2019	**10,856**
Additions	-
Gross block as at 31 March 2020	**10,856**
Accumulated depreciation as at 1 April 2019	**4,246**
Charge for the year	6,610
Accumulated depreciation as at 31 March 2020	**10,856**
Net block as at 31 March 2020	**-**

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

	Software
Gross block as at 1 April 2018	**-**
Additions	10,856
Gross block as at 31 March 2019	**10,856**
Accumulated depreciation as at 1 April 2018	**-**
Charge for the year	4,246
Accumulated depreciation as at 31 March 2019	**4,246**
Net block as at 31 March 2019	**6,610**
Net block as at 1 April 2018	**-**

Sankguj Semiconductor Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts are in ₹)

4.3 Other financial assets

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Non - current			
Carried at amortized cost			
Security deposits	-	150,000	75,000
	-	**150,000**	**75,000**
Current			
Carried at amortized cost			
Contract assets - related parties (refer note 4.22)	-	1,304,331	-
Other receivables	145,961	-	-
	145,961	**1,304,331**	**-**

4.4 Trade receivables

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Current			
Unsecured considered good - related parties (refer note 4.22)	-	2,397,505	-
	-	**2,397,505**	**-**

4.5 Cash and cash equivalents

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Balance with banks			
- in current accounts	639,965	569,231	3,079,117
	639,965	**569,231**	**3,079,117**

4.6 Other current assets

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Unsecured , considered good			
Advances to employees	-	2,968	-
Advances to suppliers	-	3,750	-
Prepaid expenses	-	700,444	357,791
Other assets	-	67,149	89,532
	-	**774,311**	**447,323**

Sankguj Semiconductor Private Limited
Notes to financial statements for the year ended 31 March 2020
(All amounts in ₹ except share data unless otherwise stated)

4.7 Share capital

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Authorized 2,500,000 (31 March 2019, 2,500,000 , 1 April 2018, 2,500,000) equity shares of ₹ 2 each	5,000,000	5,000,000	5,000,000
Issued, subscribed and fully paid up 2,150,000 (31 March 2019, 2,150,000, 1 April 2018, 2,150,000) equity shares ₹ 2 each	4,300,000	4,300,000	4,300,000

Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. Failure to pay any amount called upon shares may lead to forfeiture of the shares.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

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

	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	Amount in ₹	No. of shares	Amount in ₹
Number of shares at the beginning	2,150,000	4,300,000	2,150,000	4,300,000
Number of shares at the end	2,150,000	4,300,000	2,150,000	4,300,000

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

Name of the shareholder	As at					
	31 March 2020		**31 March 2019**		**1 April 2018**	
	No. of shares	% holding in the class	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of ₹ 2 each fully paid						
Sankalp Semiconductor Private Limited	2,150,000	100%	1,290,000	60%	1,290,000	60%
Samir Shroff	-	0%	623,500	29%	623,500	29%
Chitrarth Patel	-	0%	236,500	11%	236,500	11%

Sankguj Semiconductor Private Limited ("the Company") is the wholly owned subsidiary of Sankalp Semiconductor Private Limited ("SSPL"). SSPL has been acquired by HCL Technologies Limited ("HCL") through acquisition of 98% shares in SSPL, hence HCL became the ultimate holding company of Sankguj Semiconductor Private Limited from 10 October 2019.

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

The Company has not issued any bonus shares or shares other than cash or done a buyback of shares in the immediately preceeding years.

4.8 Borrowings

	Non-current			Current		
	As at			As at		
	31 Mar 2020	**31 Mar 2019**	**1 Apr 2018**	**31 March 2020**	**31 March 2019**	**1 April 2018**
Short term borrowings						
Unsecured						
Loan from related parties (refer note 4.22)	2,000,000	-	-	-	4,000,000	-
	2,000,000	**-**	**-**	**-**	**4,000,000**	**-**

Note:-

1. Unsecured loan of ₹ 2,000,000 (31 March 2019 Nil, 1 April 2018 Nil) is an Indian currency loan obtained by the Company from its Holding company i.e., Sankalp Semiconductor Private Limited during the year. The loan carries an interest rate of 8% per annum and to be repayable within 36 months from the date of borrowing of the loan.

2. Unsecured loan of Nil (31 March 2019 ₹ 2,000,000, 1 April 2018 Nil) is an Indian currency loan obtained by the Company from its Holding company i.e., Sankalp Semiconductor Private Limited during the financial year 2018-19. The loan carries an interest rate of 8% per annum and to be repayable within 36 months from the date of borrowing of the loan. The same has been repaid during the year.

3. Unsecured loan of Nil (31 March 2019 ₹ 2,000,000, 1 April 2018 Nil) is an Indian currency loan obtained by the Company from one of its director, Mr. Samir Shroff during the financial year 2018-19. The loan carries an interest rate of 8% per annum and to be repayable within 36 months from the borrowing of the loan. The same has been repaid during the year.

4.9 Trade payables

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Trade Payables			
-total outstanding dues of micro enterprises and small enterprises (refer note 4.24)	-	-	-
-total outstanding dues of creditors other than micro enterprises and small enterprises	-	14,326	6,150
	-	**14,326**	**6,150**

4.10 Other financial liabilities

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Current			
Carried at amortized cost			
Accrued salaries and benefits	-	1,735,132	426,024
Interest payable to related parties (refer note 4.22)	315,207	113,424	-
Accrued expenses	200,000	60,000	41,850
	515,207	**1,908,556**	**467,874**

4.11 Other current liabilities

	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Withholding and other taxes payable	6,056	808,945	100,604
	6,056	**808,945**	**100,604**

4.12 Revenue from operations

	Year ended	
	31 March 2020	**31 March 2019**
Sale of services	26,806,383	14,027,547
	26,806,383	**14,027,547**

Disaggregate Revenue Information

The company's only customer during the year is it's parent company, Sankalp Semiconductor Private Limited.The Company has a revenue arrangement with the Parent Company in which revenue earned on the basis of time and material incurred by the Company to support the Ultimate customer of the Parent Company.

Revenue disaggregation as per geography has been included in segment information (Refer note 4.20).

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

4.13 Other income

	Year ended	
	31 March 2020	**31 March 2019**
Outstandings no longer payable written off	650	-
Miscellaneous income	-	500,000
	650	**500,000**

4.14 Employee benefits expense

	Year ended	
	31 March 2020	**31 March 2019**
Salaries, wages and bonus	22,274,243	15,549,365
Contribution to provident fund and other employee funds	842,816	315,030
Staff welfare expenses	101,827	99,537
	23,218,886	**15,963,932**

4.15 Finance cost

	Year ended	
	31 March 2020	**31 March 2019**
Interest on loans from related parties	322,615	126,027
Bank charges	708	708
	323,323	**126,735**

4.16 Other expenses

	Year ended	
	31 March 2020	**31 March 2019**
Rent	775,000	680,000
Power and fuel	122,040	74,800
Repairs and maintenance	148,933	160,144
Communication costs	96,309	40,542
Travel and conveyance	177,554	95,553
Legal and professional charges	392,753	133,825
Office expenses	54,277	12,559
Rates and taxes	69,069	27,224
Preliminary Expenses Written Off	67,149	22,383
Donations	-	6,600
Miscellaneous expenses	12,577	1,266
	1,915,660	**1,254,895**

4.17 Income taxes

	Year ended	
	31 March 2020	**31 March 2019**
Income tax charged to statement of profit and loss		
Current income tax charge	102,171	-
Deferred tax charge (MAT credit)	(102,171)	-
	-	-

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

	Year ended	
	31 March 2020	**31 March 2019**
Profit before income tax	795,705	(2,958,783)
Statutory tax rate in India	26%	26%
Expected tax expense	206,883	(769,284)
Adjustment		
Expenses disallowed	143,899	148,968
Expenses allowed	(44,924)	(95,210)
Current income tax charge	102,171	-
Deferred tax charge (MAT credit)	(102,171)	-
Unabsorbed depreciation / losses of earlier years	(305,859)	715,526
Total taxes	-	-
Effective income tax rate	0.00%	0.00%

The Company is subject to Minimum Alternate Tax (MAT) on its book profits, which gives rise to future economic benefits in the form of adjustment of future income tax liability.

No deferred tax is recognised on unabsorbed depreciation/ lossess of the previous years as there is no reasonable certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised by the Company.

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

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
MAT credit entitlement	-	102,171	102,171
Total deferred tax assets (A)	-	102,171	102,171

4.18 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended	
	31 March 2020	**31 March 2019**
Net profit/ (loss)as per statement of profit and loss for computation of EPS	795,705	(2,958,783)
Weighted average number of equity shares outstanding in calculating basic EPS	2,150,000	2,150,000
Weighted average number of equity shares outstanding in calculating dilutive EPS	2,150,000	2,150,000
Nominal value of equity shares (in ₹)	2	2
Earnings/ (loss) per equity share (in ₹)		
- Basic	0.37	(1.38)
- Diluted	0.37	(1.38)

4.19 Financial Instruments

(a) Financial assets and liabilities

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

	FVTPL	**FVTOCI**	**Amortized cost**	**Total carrying value**
Financial assets				
Cash and cash equivalents	-	-	639,965	639,965
Others	-	-	145,961	145,961
Total	-	-	785,926	785,926
Financial liabilities				
Borrowings	-	-	2,000,000	2,000,000
Others	-	-	515,207	515,207
Total	-	-	2,515,207	2,515,207

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

	FVTPL	**FVTOCI**	**Amortized cost**	**Total carrying value**
Financial assets				
Trade receivables	-	-	2,397,505	2,397,505
Cash and cash equivalents	-	-	569,231	569,231
Others	-	-	1,454,331	1,454,331
Total	-	-	4,421,066	4,421,066
Financial liabilities				
Borrowings	-	-	4,000,000	4,000,000
Trade payables	-	-	14,326	14,326
Others	-	-	1,908,556	1,908,556
Total	-	-	5,922,881	5,922,881

The carrying value of financial instruments by categories as at 1 April 2018 is as follows:

	FVTPL	**FVTOCI**	**Amortized cost**	**Total carrying value**
Financial assets				
Cash and cash equivalents	-	-	3,079,117	3,079,117
Others	-	-	75,000	75,000
Total	-	-	3,154,117	3,154,117
Financial liabilities				
Trade payables	-	-	6,150	6,150
Others	-	-	467,874	467,874
Total	-	-	474,024	474,024

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

4.19 Financial instruments (continued)

(b) Financial risk management
The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's exposure to fluctuation in foreign currency exchange rates is insignificant.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and unbilled revenue. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.
The primary customer of the Company is parent company based in the India, trade receivables are concentrated in India. The Company periodically assesses the financial reliability of customers other than the parent company, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.
Trade receivables and unbilled receivables have been valued after making reserve for allowances based on the expected credit loss method, considering factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals, considering impact of COVID – 19 on customers and related customer verticals.

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

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

	Year 1	Year 2	Year 3	Total
As at 31 March 2020				
Borrowings	-	-	2,000,000	2,000,000
Other financial liabilities	515,207	-	-	515,207
Total	**515,207**	**-**	**2,000,000**	**2,515,207**
As at 31 March 2019				
Borrowings	4,000,000	-	-	4,000,000
Trade payables	14,326	-	-	14,326
Other financial liabilities	1,908,556	-	-	1,908,556
Total	**5,922,882**	**-**	**-**	**5,922,882**
As at 1 April 2018				
Trade payables	6,150	-	-	6,150
Other financial liabilities	467,874	-	-	467,874
Total	**474,024**	**-**	**-**	**474,024**

Other risks - Impacts of COVID-19

Financial assets of ₹ 639,965 forms a significant part of the financial assets as at 31 March 2020 carried at amortised cost in the form of cash and cash equivalents. Other receivables of ₹ 145,961 carried at amortised cost, which is valued considering provision for allowance using expected credit loss method.

4.20 Segment Reporting
Operating segments are defined as components of an enterprise for which discrete financial information is available and their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company operates in one business segment viz. providing design services to semiconductor industry, which is the primary segment of the Company. The information for the same is available directly in the balance sheet and the statement of profit and loss, hence, no separate disclosures, required under Ind AS 108, Operating Segments, have been made here.

Geographical information
The geographical information is based on customer location. The company's only customer, Sankalp Semiconductor Private Limited is situated in India and the information related to revenue and non-current assets are available in these financial statements.

4.21 Employee benefits

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

Defined contribution plans and state plans
Employer's contribution to Employees State Insurance
Employer's contribution to Employee Provident Fund

During the year the Company have recognized the following amounts in the statement of profit and loss :-

	Year ended	
	31 March 2020	**31 March 2019**
Employer's contribution to Employees State Insurance	12,874	16,803
Employer's contribution to Employee's Provident Fund	829,942	298,227
Total	**842,816**	**315,030**

No employees are eligible for gratuity as per the provisions of Gratuity Act, as such, no liability has been created in the books as on 31 March 2020.

4.22 Related party transactions

a) Related parties where control exists
Sankalp Semiconductor Private Limited - Holding company

b) Related parties with whom transactions have taken place during the current year
Key Management Personnel
Samir Shroff (Director) (upto 10 October 2019)
Madhav Rao (Director) (upto 10 October 2019)
Subramanian Gopalakrishnan (Director) (from 10 October 2019)
Anup Dutta (Director) (from 10 October 2019)

Transactions with related parties during the normal course of business	**Holding company**	
	Year ended	
	31 March 2020	**31 March 2019**
Sale of services	26,806,383	14,027,547
Interest expense	322,615	126,027
Loan repaid	2,000,000	-
Loan borrowed	2,000,000	2,000,000

Transactions with Key Managerial personnel during the year	**Year ended**	
	31 March 2020	**31 March 2019**
Managerial remuneration		
Samir Shroff	1,393,023	-
Loan borrowed		
Samir Shroff	-	2,000,000
Loan repaid		
Samir Shroff	2,000,000	-

c) Outstanding balances

	Holding company		
	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Trade receivables	-	2,397,505	-
Contract assets	-	1,304,331	-
Current borrowing	-	2,000,000	-
Non-current borrowing	2,000,000	-	-
Interest payable on borrowings	315,207	96,854	-

	Key Management Personnel		
	As at		
	31 March 2020	**31 March 2019**	**1 April 2018**
Short-term borrowing			
Samir Shroff	-	2,000,000	-
Other current financial liabilities			
Interest payable on borrowings	-	16,570	-

4.23 Payment to auditors

	Year ended	
	31 March 2020	**31 March 2019**
Statutory audit fees	150,000	50,000
Tax audit fees	50,000	10,000
	200,000	**60,000**

4.24 Dues to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2020 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

	Year ended	
	31 March 2020	**31 March 2019**
a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
b) The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006	-	-
d) the amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	-	-

As per our report of even date attached

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number : 116231W/W-100024

ANKIT DAGA Digitally signed by ANKIT DAGA Date: 2020.07.22 20:05:21 +05'30'

Ankita Daga
Partner
Membership Number: 512486

Bengaluru, India
22 July , 2020

For and on behalf of the Board of Directors
of Sankguj Semiconductor Private Limited

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.07.22 16:38:21 +05'30'

Subramanian Gopalakrishnan
Director
DIN: 06799278

ANUP DUTTA Digitally signed by ANUP DUTTA

Anup Dutta
Director
DIN: 01051776

Noida (UP), India
22 July , 2020