HCL America Inc.

STANDALONE FINANCIAL STATEMENTS

For the year ended 31 March 2020 and 31 March 2019

HCL America Inc.

Balance Sheet as at 31 March 2020

(Amount in millions, except share and per share data)

		Note No.	As at 31 March 2020 (USD)	As at 31 March 2019 (USD)	As at 31 March 2020 (Refer note 1 (a)) (₹)
I	**ASSETS**				
	(1) Non-current assets				
	(a) Property, plant and equipment	3.1	93	86	7,030
	(b) Capital work in progress		1	1	43
	(c) Right-of-use asset	3.28	46	-	3,500
	(d) Goodwill	3.2	338	297	25,547
	(e) Other intangible assets	3.3	36	22	2,730
	(f) Financial assets				
	(i) Investments	3.4	375	371	28,400
	(ii) Loans	3.5	115	126	8,711
	(iii) Others	3.6	96	73	7,281
	(g) Deferred tax assets (net)	3.25	30	18	2,291
	(h) Other non-current assets	3.7	63	69	4,759
	(2) Current assets				
	(a) Inventories	3.8	3	2	220
	(b) Financial assets				
	(i) Trade receivables	3.9	769	712	58,216
	(ii) Cash and cash equivalents	3.10	79	10	5,948
	(iii) Loans	3.5	84	26	6,389
	(iv) Others	3.6	210	186	15,930
	(c) Current tax assets (net)		1	3	50
	(d) Other current assets	3.11	107	109	8,036
	TOTAL ASSETS		2,446	2,111	185,081
II	**EQUITY**				
	(a) Equity share capital	3.12	7	7	530
	(b) Other equity		1,113	979	84,215
	Equity attributable to shareholders of the Company		1,120	986	84,745
	TOTAL EQUITY		1,120	986	84,745
III	**LIABILITIES**				
	(1) Non - current liabilities				
	(a) Financial Liabilities				
	(i) Borrowings	3.13	297	306	22,473
	(ii) Lease Liabilities	3.28	57	-	4,330
	(iii) Others	3.14	20	1	1,513
	(b) Provisions	3.15	18	20	1,355
	(c) Other non-current liabilities	3.16	8	17	605
	(2) Current liabilities				
	(a) Financial Liabilities				
	(i) Borrowings	3.13	231	148	17,479
	(ii) Trade payables	3.17	194	246	14,679
	(iii) Lease Liabilities	3.28	30	-	2,270
	(iv) Others	3.14	396	333	29,933
	(b) Provisions	3.15	18	17	1,356
	(c) Other current liabilities	3.18	57	37	4,343
	TOTAL EQUITY AND LIABILITIES		2,446	2,111	185,081
	Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Rakesh Dewan
Digitally signed by Rakesh Dewan Date: 2020.09.15 23:20:09 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 15 September 2020

For and on behalf of the Board of Directors of HCL America Inc.

C. Vijayakumar
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C. Vijayakumar
Director

Prateek Aggarwal
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Prateek Aggarwal
Director

Date: 15 September 2020

HCL America Inc.
Statement of Profit and Loss for the year ended 31 March 2020
(Amount in millions, except share and per share data)

		Note No.	Year ended 31 March 2020 (USD)	Year ended 31 March 2019 (USD)	Year ended 31 March 2020 (Refer note 1 (a)) (₹)
I	**Revenue**				
	Revenue from operations	3.19	3,342	3,276	252,888
	Other income	3.20	37	94	2,814
	Total Income		3,379	3,370	255,702
II	**Expenses**				
	Purchase of stock-in-trade		99	86	7,523
	Changes in inventories of stock-in-trade	3.21	(1)	5	(40)
	Employee benefits expense	3.22	1,748	1,531	132,235
	Finance costs	3.23	18	12	1,370
	Depreciation and amortisation expense	3.1, 3.3 & 3.28	65	33	4,926
	Outsourcing costs		1,101	1,312	83,273
	Other expenses	3.24	181	171	13,727
	Total expenses		3,212	3,150	243,014
III	**Profit before tax**		168	220	12,688
IV	**Tax Expense**				
	Current tax	3.25	43	39	3,249
	Deferred tax charge/ (Credit)		(13)	4	(958)
	Total tax expense		30	43	2,291
V	**Profit for the year**		138	177	10,397
VI	**Other comprehensive income**	3.26			
	Items that will be reclassified subsequently to statement of profit and loss		(7)	-	(513)
	Income tax on items that will be reclassified subsequently to statement of profit and loss		2	-	147
VII	**Total other comprehensive income**		(5)	-	(366)
VIII	**Total comprehensive income for the year**		133	177	10,031
	Earnings per equity share of par value USD 1 each	3.27			
	Basic		18.40	23.69	1,391.01
	Diluted		18.40	23.69	1,391.01
	Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

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Chartered Accountants

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Membership Number: 092212

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Date: 15 September 2020

For and on behalf of the Board of Directors of HCL America Inc.

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Prateek Aggarwal
Director

Date: 15 September 2020

HCL America Inc.

Statement of changes in equity for the year ended 31 March 2020

(Amount in millions, except share and per share data)

Particulars	Equity share capital		Other equity				
	Shares	Share capital	Reserves and Surplus			Other comprehensive income	Total (USD)
			Retained earnings	General Reserve	Securities premium	Cash flow hedging reserve	
Balance as at 1 April 2018	7,474,410	7	509	30	262	-	801
Profit for the year	-	-	177	-	-	-	177
Excess tax benefit from share-based payments	-	-	1	-	-	-	1
Total comprehensive income for the year	-	-	178	-	-	-	178
Balance as at 31 March 2019	**7,474,410**	**7**	**687**	**30**	**262**	**-**	**979**
Balance as at 1 April 2019	7,474,410	7	687	30	262	-	979
Profit for the year	-	-	138	-	-	-	138
Excess tax benefit from share-based payments	-	-	1	-	-	-	1
Other Comprehensive Income	-	-	-	-	-	(5)	(5)
Total comprehensive income for the year			138	-	-	(5)	133
Balance as at 31 March 2020	7,474,410	7	826	30	262	(5)	1,113

(₹)

Particulars	Equity share capital		Other equity				
	Shares	Share capital	Reserves and Surplus			Other comprehensive income	Total
			Retained earnings	General Reserve	Securities premium	Cash flow hedging reserve	
Balance as at 1 April 2019	7,474,410	530	51,999	2,264	19,864	-	74,127
Profit for the year	-	-	10,397	-	-	-	10,397
Excess tax benefit from share-based payments	-	-	57	-	-	-	57
Other Comprehensive Incone	-	-	-	-	-	(366)	(366)
Total comprehensive income for the year			10,454	-	-	(366)	10,088
Balance as at 31 March 2020	7,474,410	530	62,453	2,264	19,864	(366)	84,215

Summary of significant accounting policies **1**

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

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Date: 15 September 2020

For and on behalf of the Board of Directors of HCL America Inc.

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Prateek Aggarwal
Director

Date: 15 September 2020

HCL America Inc.
Statement of Cash flows
(Amount in millions, except share and per share data)

	Year ended 31 March 2020 (USD)	Year ended 31 March 2019 (USD)	Year ended 31 March 2020 (Refer note 1 (a)) (₹)
A. Cash flows from operating activities			
Profit before tax	168	220	12,688
Adjustment for:			
Depreciation and amortization	65	33	4,926
Interest income	(10)	(9)	(754)
Interest expenses	17	12	1,249
Dividend income from subsidiaries	(25)	-	(1,892)
Loss on sale of property, plant and equipment (net)	0	-	4
Income on Investment carried at fair value through profit & loss	(0)	(1)	(31)
Provision for doubtful debts/(Bad debts written back)	5	(1)	401
Profit on sale of Investment	-	(78)	-
Other non cash (benefits)/ charges (net)	(0)	(3)	(7)
Operating profit before working capital changes	219	173	16,584
Movement in working capital :			
Increase in trade receivables	(62)	(108)	(4,729)
(Increase)/ decrease in inventories	(1)	5	(40)
Increase in other financial assets and other assets	(39)	(30)	(2,940)
Decrease in trade payables	(52)	(123)	(3,931)
Increase in provisions, other financial liabilities and other liabilities	119	8	9,042
Cash generated from / (used in) operations	184	(75)	13,985
Direct taxes paid (net of refunds)	(41)	(36)	(3,068)
Net cash flow from / (used in) operating activities (A)	143	(111)	10,917
B. Cash flows from investing activities			
Payments for business acquisitions, net of cash acquired	(54)	(230)	(4,078)
Proceeds from sale of Investment	0	99	0
Investment in limited liability partnership	(0)	(1)	(20)
Proceeds from loans extended to group company	83	237	6,260
Loans extended to group company	(134)	(371)	(10,147)
Purchase of property, plant and equipment and intangibles, including capital work in progress and capital advances	(42)	(60)	(3,173)
Proceeds from sale of property, plant and equipment	2	0	139
Dividend received from subsidiaries	25	-	1,892
Interest received	9	8	646
Net cash used in investing activities (B)	(111)	(318)	(8,481)
C. Cash flows from financing activities			
Payment of lease liabilities including interest (previous year : Principal proceeds on finance lease obligations)	(35)	7	(2,656)
Proceeds from (Repayment of) short term borrowings	108	102	8,167
Proceeds from long term borrowings	-	297	-
Proceeds from loans taken from group companies	22	36	1,642
Repayment of loans taken from group companies	(39)	(17)	(2,913)
Payment for deferred consideration on business acquisition	(2)	(2)	(151)
Interest paid	(18)	(9)	(1,335)
Net cash flow from financing activities (C)	36	414	2,755
Net increase /(decrease) in cash and cash equivalents (A+B+C)	69	(15)	5,191
Cash and cash equivalents at the beginning of the year	10	25	757
Cash and cash equivalents at the end of the period as per note 3.10	79	10	5,948

Summary of significant accounting policies (Note 1)

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

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Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 15 September 2020

For and on behalf of the Board of Directors
of HCL America Inc.

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Prateek Aggarwal
Director

Date: 15 September 2020

ORGANIZATION AND NATURE OF OPERATIONS

HCL America Inc., USA (hereinafter referred to as 'the Company'), is primarily engaged in providing a range of IT and Business Services, Engineering and R&D Services and Product & Platform Services. The Company was incorporated in USA in November 1988 having its registered office at 330, Potrero Avenue, Sunnyvale, California 94085. The Company leverages an extensive onshore infrastructure and professionals to deliver solutions across selected verticals including financial services, manufacturing (automotive, aerospace, hi-tech and semi-conductors) telecom, retail and consumer packaged goods services, media, publishing and entertainment, public services, energy and utility, healthcare and travel, transport and logistics.

The financial statements for the year ended 31 March 2020 were approved and authorized for issue by the Board of Directors on 07 September 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with recognition and measurement principles laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. The Company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of HCL Technologies Limited (the Ultimate Holding Company) to comply with the financial reporting requirement in India.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

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

The functional currency of the Company is USD. The translation from USD to ₹ is included solely for the convenience of readers in India and has been performed using rate of USD 1 = ₹ 75.67, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amounts represent, or have been or could be converted into, USD at that or any other rate.

b) Use of estimates

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

In view of pandemic relating to COVID-19, the company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled receivables, goodwill, intangible assets, other financial assets, impact on revenues and costs, impact on leases and effectiveness of its hedging relationships. However, the actual impact of COVID-19 on the company's financial statements may differ from that estimated and the company will continue to closely monitor any material changes to future economic conditions.

c) Business combination 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 Company 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 as capital reserve after reassessing the fair values of the net assets.

d) Foreign currency and translation

The financial statements of the Company are presented in its functional currency USD. For each foreign operation, the Company determines the functional currency which is its respective local currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the year. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

The translation of foreign operations from respective functional currency into USD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective years.

e) Fair value measurement

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

The Company 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 of fair value specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires a Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:
Level 1 - Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 - Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:

a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting methodology.

c) Cost approach – Replacement cost method.

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of nonfinancial assets such as goodwill and intangible assets. Goodwill and intangible assets recognized in business combinations are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

f) Revenue recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. 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 of transactions processed, etc. that correspond with value transferred to customer till date which is related to our 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, ERP 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 fulfil the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities.

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

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

Revenue from product sales are shown net of sales tax and applicable 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 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. 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 one year of 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.

Multiple performance obligations

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

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

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfilment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and recorded as Deferred contract cost and amortized, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted 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 Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably being Company control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

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

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our statements of financial position, contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

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.

Interest income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

g) Income taxes

Income tax expense comprises current and deferred income tax.

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

Deferred income tax assets and liabilities recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are recognized for those temporary differences which originate during the tax holiday period are reversed after the tax holiday period. For this purpose, reversal of timing differences is determined using first-in-first-out method.

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

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

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

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

In some tax jurisdictions, 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, the excess of the associated tax is recognized directly in retained earnings.

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.
Expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the 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 year-end are disclosed as capital work- in- progress.

Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

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

Asset description	Asset life (in years)
Buildings	20
Plant and machinery (including air conditioners, electrical installations)	10
Office equipment	5
Computers and networking equipment	4-5 or over the period of lease whichever is lower
Furniture and fixtures	7
Vehicles – owned	5

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

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

i) Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over the useful economic 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 period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

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

Asset description	Asset life (in years)
Software	3
Licensed IPRs	5 to 15
Customer relationships	1 to 10
Customer Contracts	1 to 2
Intellectual property rights including brand	2 to 6

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use 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. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

k)Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

Company is lessee in case of office space, accommodation for its employees and IT equipments. These leases are evaluated to determine whether it contains a lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

Effective 1 April 2019, all leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the balance sheet.

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

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Company's incremental borrowing rate, which approximates the rate at which the Company would borrow, in the country where the lease was executed. The Company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the Company 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 Company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the statement of profit and loss. For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract

Company as a lessor

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

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

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

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.

The Company has adopted Ind AS 116, effective 1April 2019 using the modified retrospective approach which involves recognizing new right-of-use assets and lease liabilities on its balance sheet. Comparative information has not been adjusted and continues to be reported under Ind AS 17. As a result of the Company's adoption of this new standard, all leases are recorded on the balance sheet. The Company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company has used a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract, and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Impact on financial statements

As a result of adoption of Ind AS 116, the Company recognized additional lease liabilities of USD 72 (₹ 5,454) and rights-of-use assets of USD 53 (₹4,041) as on 1 April 2019.

The weighted average incremental borrowing rate of 3.93% has been applied to lease liabilities recognized in the balance sheet at the date of initial application, in respect of leases classified as operating leases as per Ind AS 17

The difference between future minimum lease rental commitments against non-cancellable operating leases reported as at 31 March 2019 and lease liability recognized as at 1 April 2019 is primarily due to:

1. inclusion of finance lease obligation earlier shown separately; and
2. exclusion of short term lease commitments for which the Company has chosen to apply the practical expedient as per the standard.

The following table summarize the impact of the Company's adoption of Ind AS 116 on its financial statements as of 1 April 2019

	As reported 31 March 2019	Adoption of Ind AS116	Balance as of 1 April 2019
Prepaid expenses(including current and non-current portion) (Note-1)	90	(2)	88
Borrowing - Finance lease obligation (including current and non-current portion) (Note-2)	17	(17)	-
Other financial liabilities (current) - liabilities for expenses (Note-3)	155	(4)	151
Right-of-use assets	-	53	53
Lease liabilities (including current and non-current portion)	-	72	72

Notes:
1. Includes prepaid rent amounting to USD 2 reclassified to right-of-use assets.
2. Finance lease obligations as per Ind AS 17 amounting to USD 17 have been reclassified to lease liability.
3. Includes lease equalization reserve of USD 4 adjusted with right-of-use assets.

l) Inventory

Stock in trade are valued at the lower of the cost or net realizable value. 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 identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project are determined using the weighted average cost formula.

m) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment annually as on 31 March and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash generating units (CGUs) 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 statement of profit and loss is not reversed in the subsequent period.

Intangible assets and property, plant and equipment

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

n) Provisions and contingent liabilities

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

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

o) ***Retirement and other employee benefits***

i. State plans: The Company has a saving and Investment Plan under Section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to statement of Profit and Loss in the period in which they accrue.

ii. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by 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. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as a short-term employee benefit and accumulated leave expected to be carried forward beyond twelve months is treated as a long-term employee benefit for measurement purposes. The expense on non-accumulating compensated absences is recognized 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.

p) 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 the financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in banks and remittances in transit, which are subject to an insignificant risk of changes in value.

Financial instruments at amortized cost

A 'financial instrument' 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 finance 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.

Financial instruments at Fair Value through Other Comprehensive Income

A 'financial instrument' is classified and measured at fair value through OCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principle and interest.

Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in other comprehensive income (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 instruments at Fair Value through Profit and loss

Any financial instrument, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial instruments included in the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

Equity investments

Equity investments in subsidiaries and investments for which sufficient more recent information to measure fair value are not available are measured at cost. Other equity investments in scope of Ind AS 109 are measured at fair value through profit and loss. Contingent considerations recognized by an acquirer in a business combination to which Ind AS 103 applies are classified at fair value through profit and loss.
Equity instruments included within the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

Derecognition of financial assets

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

Impairment of financial assets

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

(ii) Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Financial liabilities at amortized cost

The Company's financial liabilities at amortized cost include trade and other payables, loans and borrowings including bank overdrafts.

After initial recognition, interest-bearing loans and borrowings and other financial liabilities are subsequently measured at amortized cost using the Effective Interest Method(EIR) method. Gains and losses are recognized in 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.

(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 Company 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 forecast transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the derivative fair values (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 the statement of profit and loss.

In respect of derivatives designated as hedges, the Company 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 Company 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.

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

Offsetting of financial instruments

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

q) Dividend

Final dividend proposed by the Board of Directors are 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.

r) *Earnings per share (EPS)*

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

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

s) Nature and purpose of reserves

Securities premium reserve
Securities premium reserve is used to record the premium on issue of shares.

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

2. ACQUISITIONS

(a) <u>Acquisitions in the current year</u>

(i) Strong Bridge & Envision Business Consulting

On 1 April 2019, the Company entered into an agreement to acquire 100% shareholding in Strong Bridge & Envision Business Consulting Group in US doing business in digital transformation consulting. The acquisition will enhance Company's digital consulting offerings with their strong capabilities in digital strategy development, agile program management, business transformation and organizational change management. The total purchase price for the acquisition is USD $ 45. The Company has paid USD $ 44 till 31 March 2020. In addition to the purchase consideration, USD $ 5 is payable to certain key employees over a two-year period. Payment of this amount is in the nature of long term incentive plan to the senior managers of the operating entities that includes retention and performance based bonuses. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business Combination".

On 4 October 2019, the Company and Strong-Bridge Holdings Inc. along with its subsidiaries Strong-Bridge LLC and Envision Business Consulting LLC (collectively referred as the "Merged Entities") entered into a merger agreement. As per the agreement, the Company is the surviving corporation and separate existence of Merged Entities ceases. The Company and the Merged Entities merger constituted a complete liquidation of the Merged Entity within the meaning of Sections 332 and 337 of the Code for US federal income tax purposes.

The assets and liabilities of merged entities have been accounted for at fair value.

Total value of acquired assets and liabilities are as follows:

	Amount (USD)
Net Working capital (Including Cash of $ 1)	10
Deferred tax liabilities	(2)
Property, plant and equipment	0
Customer relationship	8
Customer contracts	1
Brand	1
Goodwill	27
Purchase Consideration	**45**

The resultant goodwill is not considered tax deductible and has been allocated to IT and business services segment. The table below shows the values and lives of intangible assets recognized on acquisition:

	Amount	Life (Years)
Customer relationship	8	9.0
Customer contracts	1	1.0
Brand	1	2.0
Total intangible assets	**10**	

(ii) Acquisition of Select IBM Software products

On 7 December 2018, HCL Technologies Limited ('HCL') had signed a definitive agreement to acquire business relating to select IBM software products, the acquisition though has been consummated effective 30 June 2019.

HCL has acquired these products for security, marketing, commerce, and digital solutions along with certain assumed liabilities and in scope employees. With this, HCL gets 100% control on the assets being acquired and has also taken full ownership of the research and development, sales, marketing, delivery and support for these products. Through this acquisition, HCL intends to enhance its products and platforms offering to customers across a wide range of industries and markets.

As part of this deal, the company has paid USD $ 9.78 to IBM till 30 June 2019, and USD $ 9.78 is payable after one-year end as per the agreement. This payable have been fair valued at USD $ 9.54.

The acquisition was accounted for under the acquisition method of accounting in accordance with Ind AS 103 "Business combinations".

The net assets acquired have been accounted for at fair value.

Total value of acquired assets are as follows:

	Amount (USD)
Customer relationship	5
Goodwill	14
Total	**19**

The resultant goodwill is considered tax deductible and has been allocated to the products & platforms segment. This goodwill is attributable mainly to Company's ability to upgrade the products and enhance the sale of products to customers in existing business of the Company and targeting new customers.

The table below shows the values and lives of intangible assets recognized on acquisition:

Asset description	Amount (USD)	Life (in years)	Basis of amortization
Customer related intangibles	5	10	In proportion of estimated revenue

(b) Acquisitions in the previous year

(i) Actian Corporation

Through a definitive agreement entered on April 12, 2018 by the Company and Sumeru Equity Partners (SEP), to acquire Actian Corporation, through a joint venture Company, the acquisition has been consummated on July 17,2018.

The Company has paid $ 164 to acquire 80.39% stake in Joint Venture Company and SEP has paid $ 40 to acquire 19.61% of the stake in the joint venture Company and the balance purchase consideration has been funded through intercompany loan by the Company. The acquisition is part of the Company's strategy to augment its capabilities in the products and platforms business. Total purchase consideration of $ 341 (including fair value of options $18).

In addition to the purchase consideration, $3 is payable to employee of the acquired entity in respect of unvested options, the amount payable in respect of such options is retained by acquirer and will be released upon the individual employee continuing service upto October 01, 2019. This consideration has been paid during the current year ended March 31, 2020.

(ii) C3i Solutions

During April 2018, the Company had acquired 100% shareholding of a US based Company, a provider of Multi- channel customer engagement services for the life sciences and consumer packaged goods (CPG) industries. With this acquisition, the Company will complement its broad-based IT and business services capability with the additional depth in the life sciences and CPG verticals. Total purchase consideration of $66 was paid in cash.

3. Notes to financial statements

3.1 Property, plant and equipment

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

Particulars	Freehold land	Buildings	Plant and machinery	Office equipment	Computers	Furniture and fittings	Vehicles	Total (USD)
Gross Block as at 1 April 2019	**1**	**10**	**9**	**9**	**125**	**20**	**-**	**174**
Additions	-	-	0	1	39	1	-	41
Disposals	-	-	1	-	24	1	-	26
Gross Block as at 31 March 2020	**1**	**10**	**8**	**10**	**140**	**20**	**-**	**189**
Accumulated Depreciation as at 1 April 2019	**-**	**4**	**7**	**6**	**62**	**9**	**-**	**88**
Charge for the year	-	1	0	1	27	3	-	32
Deduction/Other Adjustments	-	-	1	0	22	1	-	24
Accumulated Depreciation as at 31 March 2020	**-**	**5**	**6**	**7**	**67**	**11**	**-**	**96**
Net Block as at 31 March 2020	**1**	**5**	**2**	**3**	**73**	**9**	**-**	**93**
Net Block as at 31 March 2019	**1**	**6**	**2**	**3**	**63**	**11**	**-**	**86**

Particulars	Freehold land	Buildings	Plant and machinery	Office equipment	Computers	Furniture and fittings	Vehicles	Total (Refer note 1(a)) (₹)
Gross Block as at 1 April 2019	**77**	**747**	**681**	**645**	**9,420**	**1,493**	**-**	**13,063**
Additions	-	-	30	39	2,942	61	-	3,072
Disposals	-	-	52	-	1,887	7	-	1,947
Gross Block as at 31 March 2020	**77**	**747**	**659**	**684**	**10,475**	**1,547**	**-**	**14,188**
Accumulated Depreciation as at 1 April 2019	**-**	**293**	**530**	**454**	**4,653**	**644**	**-**	**6,574**
Charge for the year	-	37	24	86	2,078	166	-	2,391
Deduction/Other Adjustments	-	-	52	1	1,755	1	-	1,808
Accumulated Depreciation as at 31 March 2020	**-**	**330**	**502**	**539**	**4,976**	**809**	**-**	**7,157**
Net Block as at 31 March 2020	**77**	**417**	**157**	**145**	**5,499**	**738**	**-**	**7,030**

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

Particulars	Freehold land	Buildings	Plant and machinery	Office equipment	Computers	Furniture and fittings	Vehicles	Total (USD)
Gross Block as at 1 April 2018	**1**	**10**	**8**	**7**	**85**	**13**	**0**	**123**
Additions	-	-	1	2	41	7	-	51
Disposals	-	-	0	0	0	0	0	0
Gross Block as at 31 March 2019	**1**	**10**	**9**	**9**	**125**	**20**	**-**	**174**
Accumulated Depreciation as at 1 April 2018	**-**	**4**	**6**	**5**	**42**	**7**	**0**	**64**
Charge for the year	-	0	1	1	20	2	-	24
Deduction/Other Adjustments	-	-	0	0	0	0	0	0
Accumulated Depreciation as at 31 March 2019	**-**	**4**	**7**	**6**	**62**	**9**	**-**	**88**
Net Block as at 31 March 2019	**1**	**6**	**2**	**3**	**63**	**11**	**-**	**86**
Net Block as at 31 March 2018	**1**	**6**	**2**	**2**	**42**	**6**	**-**	**59**

3.2 Goodwill

Effective 1 April 2019, consequent to reorganization of its global operations due to technological changes and business requirements with increased focus to meet customer expectations and provide better services, the Company has reorganized itself into three segments , IT and Business Services, Engineering and R&D Services and Products & Platforms which led to change in composition of its Cash Generating units (CGUs) .

Accordingly, goodwill has been reallocated based on the relative fair value of each newly identified CGU. The Company tested goodwill allocated to CGUs for impairment prior to the CGU composition change and immediately thereafter, for events and conditions. The fair value of the Company and its CGUs was calculated using a discounted cash flow model using estimated future cash flows. The results of the evaluation showed that the fair value of each of the CGUs exceeded its book value.

The following table presents the change in the carrying value of Goodwill based on new identified CGUs for the year ended 31 March 2019

Particulars	IT and Business Services	Engineering and R&D Services	Products and Platforms	Total (USD)
Opening balance as at 1 April 2018	**297**	-	-	297
Acquisition through business combination	**-**	-	-	-
Closing balance as at 31 March 2019	**297**	-	-	297

The following table presents the change in Goodwill for the year ended 31 March 2020

Particulars	IT and Business Services	Engineering and R&D Services	Products and Platforms	Total (USD)
Opening balance as at 1 April 2019	**297**	-	-	297
Acquisition through business combination	**27**	-	14	41
Closing balance as at 31 March 2020	**324**	-	14	338

Particulars	IT and Business Services	Engineering and R&D Services	Products and Platforms	Total (Refer note 1(a)) (₹)
Opening balance as at 1 April 2019	**22,468**	-	-	22,468
Acquisition through business combination	**2,023**	-	1,056	3,079
Closing balance as at 31 March 2020	**24,491**	-	1,056	25,547

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGUs) which benefit from the synergies of the acquisition.

Goodwill is tested for impairment at least annually. Impairment is recognised when the carrying amount of a cash generating unit (CGU) including the goodwill exceeds the estimated recoverable amount of the CGUs. Future cash flows are forecast for 5 years and then on perpetuity on the basis of certain assumptions which includes revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirements. The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital". The key assumptions are as follows:

	As at	
	31 March 2020	**31 March 2019**
Growth rate (%)	Upto 5.0	Upto 5.0
Terminal growth rate (%)	1.0	4.0
Pre-tax discount rate (%)	7.6	7.99

As at 31 March 2020 and 31 March 2019 the estimated recoverable amount of the CGUs exceeded its carrying amount and accordingly, no impairment was recognized. An analysis of the sensitivity of the computation to a change in key assumptions based on reasonable probability did not identify any probable scenario in which the recoverable amount of the CGUs would decrease below its carrying amount.

The Company tests goodwill for impairment annually, or more frequently when there is an indication for impairment. The Company has performed its annual goodwill impairment testing considering the likely impact of COVID-19 on future cash flows, discount rates, growth rates, earnings before interest and taxes, including terminal growth rate, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies.

3.3 Other Intangible assets

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

Intangible Assets	Software	Licensed IPRs	Customer relationships	Customer Contracts	Intellectual property rights	Total (USD)
Gross Block as at 1 April 2019	**46**	**14**	**1**	**1**	**0**	**62**
Additions	6	10	14	1	1	32
Deletions	3	-	-	-	-	3
Gross Block as at 31 March 2020	**49**	**24**	**15**	**2**	**1**	**90**
Accumulated amortization as at 1 April 2019	34	4	1	1	0	40
Charge for the year	7	4	1	1	1	14
Deletions	0	-	-	-	-	0
Accumulated amortization as at 31 March 2020	**41**	**8**	**2**	**2**	**1**	**54**
Net Block as at 31 March 2020	**8**	**16**	**13**	**0**	**1**	**36**
Net Block as at 31 March 2019	**12**	**10**	**0**	**0**	**0**	**22**

Intangible Assets	Software	Licensed IPRs	Customer relationships	Customer Contracts	Intellectual property rights	Total (₹))
Gross Block as at 1 April 2019	**3,448**	**1,038**	**96**	**39**	**26**	**4,647**
Additions	454	738	1,028	106	61	2,387
Deletions	208					208
Gross Block as at 31 March 2020	**3,694**	**1,776**	**1,124**	**145**	**87**	**6,826**
Accumulated amortization as at 1 April 2019	2,546	333	72	39	26	3,016
Charge for the year	560	293	91	106	30	1,080
Deletions	0					
Accumulated amortization as at 31 March 2020	**3,106**	626	**163**	**145**	**56**	**4,096**
Net Block as at 31 March 2020	**588**	**1,150**	**961**	**0**	**31**	**2,730**

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

Intangible Assets	Software	Licensed IPR's	Customer relationships	Customer Contracts	Intellectual property rights	Total (USD)
Gross Block as at 1 April 2018	**39**	**14**	**1**	**1**	**0**	**55**
Additions	7	-	-	-	-	7
Gross Block as at 31 March 2019	**46**	**14**	**1**	**1**	**0**	**62**
Accumulated amortization as at 1 April 2018	**28**	**1**	**1**	**1**	**0**	**31**
Charge for the year	6	3	0	-	-	9
Accumulated amortization as at 31 March 2019	**34**	**4**	**1**	**1**	**0**	**40**
Net Block as at 31 March 2019	**12**	**10**	**0**	**0**	**0**	**22**
Net Block as at 31 March 2018	**11**	**13**	**0**	**0**	**0**	**24**

The Company tests intangible assets for impairment when there is an indication for impairment. The Company has performed an evaluation of the amortization period and method for its intangible assets, along with intangible assets impairment testing considering the likely impact of COVID-19 on future cash flows and growth rates, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies

3.4 Investments

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Financial assets			
Non-current			
Unquoted investments			
Equity Investment in subsidiary companies carried at cost (fully paid up)			
1,050,100 (previous year: 1,050,100) equity shares of INR 10 each, in HCL Technologies Solutions Limited	0	0	17
10 (previous year: 10) equity shares of USD 1,000 each, in HCL America Solution Inc.	0	0	1
8,110,000 (previous year: 8,110,000) equity shares of GBP 1 each, in HCL Insurance BPO Services Limited	0	0	1
Investment in Butler America Aerospace LLC	83	83	6,279
250 (previous year: 250) equity shares of USD 5 each , in Power Team LLC	36	36	2,725
Investment in Urban Fulfillment Services LLC	20	16	1,518
Investment in Telerx Marketing, Inc.	66	66	4,989
Investment in HCL Technologies SEP Holdings Inc	164	164	12,409
Equity Investment in fellow subsidiary companies (fully paid up)			
756,320 (previous year 756,320) equity shares of ARS 1 each, in HCL Argentina S.A.	0	0	9
1 (previous year 1) equity shares of MXN 1 each, in HCL Technologies Mexico S.DE.R.L.DE.C.V.	0	0	0
	369	**365**	**27,948**
Carried at fair value through profit or loss			
Investment in Morado Venture Partners II, L.P.	6	5	420
Share of profit(loss) in limited liability partnership	0	1	32
	6	**6**	**452**
Total investments – financial assets	**375**	**371**	**28,400**
Aggregate amount of unquoted investments	**375**	**371**	**28,400**
Equity instruments carried at cost	**369**	**365**	**27,948**
Investment carried at fair value through profit and loss	**6**	**6**	**452**

3.5 Financial Assets- Loans

	As at		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Non-Current			
Loans to related party (refer note 3.31 (e))	115	126	8,711
	115	**126**	**8,711**
Current			
Unsecured, considered good			
Loans to related party (refer note 3.31 (e))	84	26	6,383
Loan to employees	0	0	6
	84	**26**	**6,389**

3.6 Other financial assets

	As at		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Non-Current			
Carried at amortized cost			
Finance lease receivables (refer note 3.28)	49	48	3,720
Security Deposits	1	1	78
Contract Assets	-	19	-
Unbilled receivables	46	5	3,483
	96	**73**	**7,281**
Current			
Carried at amortized cost			
Unbilled receivables	125	130	9,429
Unbilled receivables -related parties (refer note 3.31 (e))	26	18	1,980
Interest receivable-related parties (refer note 3.31 (e))	2	2	177
Security deposits	1	2	113
Finance lease receivables (refer note 3.28)	30	32	2,295
Contract Assets	26	2	1,937
	210	**186**	**15,930**

3.7 Other non-current assets

	As at		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Unsecured considered good unless otherwise stated			
Capital advances	1	0	57
Others:			
Prepaid expenses	32	39	2,398
Deferred contract cost	30	29	2,304
Deferred contract cost-related parties	-	1	-
	63	**69**	**4,759**

3.8 Inventories

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Stock-in-trade	3	2	220
	3	**2**	**220**

3.9 Trade receivables

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Unsecured, considered good (refer note below)	773	718	58,526
Trade receivables which have significant increase in credit risk	7	0	512
Trade Receivables - credit impaired	1	1	45
	781	**719**	**59,084**
Impairment allowance for bad and doubtful debts	(11)	(7)	(852)
	770	**712**	**58,231**

Note:
Trade receivables include receivables from related parties amounting to USD 427 (₹32,296), (previous year: USD 391), refer note 3.31.

3.10 Cash and bank balances

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Cash and cash equivalents			
Balance with banks			
- in current accounts	79	10	5,948
	79	**10**	**5,948**

3.11 Other Current assets

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Unsecured , considered good			
Advances other than capital advances			
Advances to employees	0	0	7
Advances to suppliers	3	2	192
Others			
Deferred contract cost	29	22	2,189
Deferred contract cost-related parties (refer note 3.31 (e))	8	32	574
Prepaid Expenses	66	51	4,973
Prepaid Expenses-related parties (refer note 3.31 (e))	-	1	-
Other advances	1	1	101
	107	**109**	**8,036**

Unsecured , considered doubtful			
Advances other than capital advances			
Other advances	1	2	102
Less: Provision for doubtful advances	(1)	(2)	(102)
	-	-	-
	107	**109**	**8,036**

3.12 Share Capital

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Authorized			
10,000,000 (previous year: 10,000,000) equity shares of USD 1 each	10	10	757
Issued, subscribed and fully paid up			
7,474,410 (previous year: 7,474,410) equity shares of USD 1 each	7	7	566

Term/rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of USD $ 1. 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.

a) Reconciliation of the number of shares outstanding at the beginning and at the end of the period

	As at					
	31 March 2020		**31 March 2019**		**31 March 2020**	
	No. of shares	USD	No. of shares	USD	No. of shares	(₹)
Number of shares at the beginning	7,474,410	7	7,474,410	7	7,474,410	566
Number of shares at the end	**7,474,410**	**7**	**7,474,410**	**7**	**7,474,410**	**566**

b) Details of shareholders holding more than 5 % shares are as follows

Name of the shareholder	As at			
	31 March 2020		**31 March 2019**	
	No. of shares	**% holding in the class**	**No. of shares**	**% holding in the class**
Equity shares of USD 1 each, fully paid				
HCL Bermuda Limited , Bermuda , the Holding Company	6,089,870	81.48%	6,089,870	81.48%
Axon Group Limited, UK	1,384,540	18.52%	1,384,540	18.52%

As per the records of the Company, including its register of shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

c) There are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back during the period of five years immediately preceding the reporting date.

Capital management

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

3.13 Borrowings

	Non-Current			Current		
	As at			As at		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Long term borrowings						
Secured						
Term loan from bank (refer note 1)	297	297	22,473	-	-	-
Finance lease obligations (refer note 1(k))	-	9	-	-	9	-
	297	**306**	**22,473**	**-**	**9**	**-**
Short term borrowings						
Unsecured						
From Bank:						
Bank overdraft	-	-	-	110	2	8,348
Term loan from bank	-	-	-	100	100	7,566
From Others:						
From related parties (refer note 3.31 (e)) (refer note 2)	-	-	-	21	37	1,565
	-	**-**	**-**	**231**	**139**	**17,479**
	297	**306**	**22,473**	**231**	**148**	**17,479**

Notes:

1. The Company has availed the loan from bank at interest rate LIBOR+98.5 bps which is repayable in July'22.
2. The Company has availed the credit from related parties at interest rate LIBOR+100 bps which is repayable on demand.

3.14 Other financial liabilities

	As at		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Non-Current			
Carried at amortized cost			
Employee bonuses accrued	15	1	1,115
Carried at fair value through other comprehensive income			
Unrealized Loss on derivative financial instruments	5	-	398
	20	**1**	**1,513**
Current			
Carried at amortized cost			
Interest accrued but not due on borrowings	2	2	130
Accrued salaries and benefits			
Employee bonuses accrued	78	78	5,921
Other employee costs	39	31	2,937
Others			
Liabilities for expenses	198	155	14,977
Liabilities for expenses - related parties (refer note 3.31 (e))	43	29	3,283
Capital accounts payables	12	9	910
Interest payable - related parties (refer note 3.31 (e))	0	1	18

Deferred consideration	10	-	736
Supplier credit	10	27	734
Book overdraft	1	1	80
	393	**333**	**29,726**
Carried at fair value through profit and loss			
Unrealized loss on derivative financial instruments	2	0	135
Others	1	-	72
	396	**333**	**29,933**

3.15 Provisions

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Non-Current			
Provision for employee benefits			
Provision for leave benefits	18	20	1,355
	18	**20**	**1,355**
Current			
Provision for employee benefits			
Provision for leave benefits	18	17	1,356
	18	**17**	**1,356**

3.16 Other non-current liabilities

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Contract liabilities	8	17	605
	8	**17**	**605**

3.17 Trade Payables

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Trade payables	62	89	4,660
Trade payables - related parties (refer note 3.31 (e))	132	157	10,019
	194	**246**	**14,679**

3.18 Other current liabilities

	As at		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Contract liabilities	45	36	3,414
Other advances			
Advances received from customers	12	-	896
Others			
Withholding and other taxes payable	0	1	33
	57	**37**	**4,343**

3.19 Revenue from operations

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Sale of services	3,219	3,173	243,596
Sale of hardware and software	123	103	9,292
	3,342	**3,276**	**252,888**

Disaggregate Revenue Information

The disaggregated revenue from contracts with customers by contract type is as follows:

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Fixed price	2,092	1,922	158,312
Time and material	1,250	1,354	94,576
	3,342	**3,276**	**252,888**

Of the above fixed price revenue, IT and Business Services account for 72%, Engineering and R&D Services account for 11.2% and Products & Platforms account for 16.8%. For time and material revenue, IT and Business Services account for 72.9%, Engineering and R&D Services account for 25.7% and Products & Platforms account for 1.4%.

Revenue disaggregation as per geography has been included in segment information (Refer note 3.29).

Remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was $ 2,040 (31 March 2019 $ 2,192) out of which, approximately 36 % (31 March 2019 44%) is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusions as below:

a) Contracts for which we recognize revenues based on the right to invoice for services performed,

b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or

c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Out of $ 26 contract assets as on 31 March 2020, $ 5 pertains to the period prior to 31 March 2019 and the balance pertains to current year.
Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized.

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

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Balance as at beginning of the year	53	38	4,034
Additional amounts billed	749	930	56,661
Deduction on account of revenues recognized during the year	(749)	(915)	56,649
Balance as at end of the year	**53**	**53**	**4,046**

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

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

	Year ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Balance as at beginning of the year	84	60	6,361
Additional cost capitalized during the year	705	902	53,326
Deduction on account of cost amortized during the year	(722)	(878)	(54,620)
Balance as at end of the year	**67**	**84**	**5,067**

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.

3.20 Other Income

	Year ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Interest income			
- Related party (refer note 3.31 (d))	9	8	707
- Others	1	1	47
Dividends from subsidiary companies	25	-	1,892
Profit on sale of investments carried at fair value through profit and loss	-	78	-
Bad debts written back	-	1	-
Exchange differences (net)	1	3	106
Fair value changes on liabilities carried at fair value through profit and loss			-
-Share of profit in limited liability partnership	0	1	31
Miscellaneous income	0	2	31
	37	**94**	**2,814**

3.21 Changes in inventories of stock-in-trade

	Year ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Opening stock	2	7	180
Less: Closing stock	(3)	(2)	(220)
	(1)	**5**	**(40)**

3.22 Employee benefit expenses

	Year ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Salaries, wages and bonus	1,572	1,381	118,957
Contribution to employee benefits	174	148	13,136
Staff welfare expenses	2	2	142
	1,748	**1,531**	**132,235**

3.23 Finance cost

	Year ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Interest			
-on loan from bank	13	10	971
-others-related party (refer note 3.31 (d))	1	1	72
-on lease liabilities	2	-	165
-others	4	1	117
Bank charges	0	0	45
	18	**12**	**1,370**

3.24 Other expenses

	Year ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Rent	2	16	139
Power and fuel	4	4	332
Insurance	5	3	391
Repairs and maintenance			
- Plant and machinery	1	1	106
- Buildings	0	0	29
- Others	9	6	644
Communication costs	8	7	578
Travel and conveyance	79	76	6,000
Business Promotion	22	20	1,640
Legal and professional charges	27	23	2,058
Recruitment, training and development	3	1	229
Provision for doubtful debts/ bad debts	5	-	401
Loss on sale of property, plant and equipment (net)	0	-	5
Miscellaneous expenses	16	14	1,176
	181	**171**	**13,727**

3.25 Income taxes

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Income tax charged to statement of profit and loss			
Current income tax charge	43	39	3,249
Deferred tax charge (credit)	(13)	4	(958)
	30	**43**	**2,291**
Income tax charged to Other comprehensive income			
Expense (benefit) on revaluation of cash flow hedges	2	-	147
	2	-	**147**

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

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
Profit before income tax	168	220	12,703
Statutory tax rate in USA	26.95%	27.13%	26.95%
Expected tax expense	45	60	3,424
Capital Gain	-	(14)	
Permanent Difference	(1)	(0)	(52)
Deemed dividend	(7)	-	(510)
Tax reversal /correction of prior year tax	(4)	(3)	(333)
Employee stock compensation cost	1	-	57
Others	(4)	-	(294)
Total taxes	**30**	**43**	**2,291**
Effective income tax rate	18.04%	19.41%	18.04%

Components of deferred tax assets and liabilities as on 31 March 2020 **(USD)**

	Opening balance	**Recognized in profit and loss**	**Recognized in / reclassified from OCI**	**Acquisition**	**Closing balance**
Deferred tax assets					
Business losses	3	(1)	-	-	2
Provision for doubtful debts	2	1	-	-	3
Accrued employee costs	29	7	-	-	36
Unrealized loss on derivative financial instruments			2	-	2
Provision for US sales tax	0	1	-	-	1
Others	12	(3)	-	1	10
Gross deferred tax assets (A)	**46**	**5**	**2**	**1**	**54**
Deferred tax liabilities					
Depreciation and amortization	17	0	-	-	17
Others	11	(8)	-	3	6
Gross deferred tax liabilities (B)	**28**	**(7)**	**-**	**3**	**23**
Net deferred tax assets (A-B)	**18**	**13**	**2**	**(2)**	**30**

	Opening balance	Recognized in profit and loss	Recognized in / reclassified from OCI	Acquisition	Closing balance (Refer note 1(a)) (₹)
Deferred tax assets					
Business losses	227	(78)	-	-	149
Provision for doubtful debts	138	91	-	-	230
Accrued employee costs	2,194	514	-	-	2,708
Unrealized loss on derivative financial instruments	-	-	147		147
Provision for US sales tax	-	76	-	-	76
Others	910	(191)	-	34	754
Gross deferred tax assets (A)	**3,470**	**413**	**147**	**34**	**4,064**
Deferred tax liabilities					
Depreciation and amortization	1,280	6	-	-	1,286
Others	825	(551)	-	213	487
Gross deferred tax liabilities (B)	**2,105**	**(545)**	**-**	**213**	**1,773**
Net deferred tax assets (A-B)	**1,365**	**958**	**147**	**(179)**	**2,291**

Components of deferred tax assets and liabilities as on 31 March 2019 **(USD)**

	Opening balance	Recognized in profit and loss	Recognized in / reclassified from OCI	Acquisition	Closing balance
Deferred tax assets					
Business losses	3	0	-	-	3
Provision for doubtful debts	2	0	-	-	2
Accrued employee costs	23	6	-	-	29
Provision for US sales tax	1	(1)	-	-	0
Others	10	2	-	-	12
Gross deferred tax assets (A)	**39**	**7**	**-**	**-**	**46**
Deferred tax liabilities					
Depreciation and amortization	10	7	-	-	17
Others	7	4	-	-	11
Gross deferred tax liabilities (B)	**17**	**11**	**-**	**-**	**28**
Net deferred tax assets (A-B)	**22**	**(4)**	**-**	**-**	**18**

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

Particulars	Year Ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Items that will be reclassified subsequently to statement of profit and loss			
Cash flow hedging reserve			
Opening balance (net of tax)	-	-	-
Unrealized gains (losses)	(7)	-	(513)
Income tax benefit (expense)	2	-	147
Closing balance (net of tax)	**(5)**	**-**	**(366)**

3.27 Earning per share

Particulars	Year Ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Net profit as per statement of profit and loss for computation of EPS	138	177	10,397
Weighted average number of equity shares outstanding in calculating Basic EPS	7,474,410	7,474,410	7,474,410
Weighted average number of equity shares outstanding in calculating dilutive EPS	7,474,410	7,474,410	7,474,410
Nominal value of equity shares	1	1	76.0
Earnings per equity share			
- Basic	18.40	23.69	1,391.01
- Diluted	18.40	23.69	1,391.01

3.28 Leases

a) Company as a lessee

The Company's significant leasing arrangements are in respect of leases for office spaces, accommodation for its employees and IT equipments. .

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

Particulars	Buildings	Computer and networking equipments	Total
Balance as at 1 April 2019	-	-	-
Transition impact of Ind AS 116 (refer note 1(k))	44	9	53
Additions	12	-	12
Derecognition	(0)		(0)
Depreciation charge for the year	(13)	(6)	(19)
Balance as at 31 March 2020	**43**	**3**	**46**

(₹)

Particulars	Buildings	Computer and networking equipments	Total
Balance as at 1 April 2019	-	-	-
Transition impact of Ind AS 116 (refer note 1(k))	3,356	684-	4,041
Additions	890	24	913
Derecognition	(20)	-	(20)
Depreciation charge for the year	(1,003)	(432)	(1,434)
Balance as at 31 March 2020	**3,223**	**276**	**3,500**

The reconciliation of lease liabilities is as follows:

Particulars	Total	Total (₹)
Balance as at 1 April 2019	-	-
Transition impact of Ind AS 116 (refer note 1(k))	72	5,454
Additions	49	3,668
Amounts recognized in statement of profit and loss as interest expense	2	165
Payment of lease liabilities	(35)	(2,656)
Derecognition	(0)	(31)
Balance as at 31 March 2020	**87**	**6,600**

The lease rental expense recognized in the statement of profit and loss account for the year is USD 2 (₹139)

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 March 2020:

Particulars	As at 31 March 2020	31 March 2020(Refer note 1(a)) (₹)
Within one year	32	2,242
One to two years	28	2,137
Two to three years	22	1,700
Three to five years	11	875
Total lease payments	94	7,154
Imputed interest	(7)	(554)
Total lease liabilities	**87**	**6,600**

Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Most of the leases entered by the Company are long term in nature and the underlying leased properties are being used as delivery centers or offices. The Company doesn't foresee any major changes in lease terms or the leases in the foreseeable future as per current business projections after considering the impact of COVID - 19.

During the previous year ended 31 March 2019, the aggregate lease rental expense recognized in the statement of profit and loss as per Ind AS 17 amounted to USD 16 and the lease equalization amount for non-cancellable operating lease payable in future years and accounted for by the company was USD 4.

Future minimum lease payments and the payment profile of non-cancellable operating leases as per Ind AS 17 as on 31 March 2019 are as follows:

	Total
Not later than one year	14
Later than one year but not later than five years	38
Later than five years	1
Total	**53**

The following table presents a maturity analysis of expected undiscounted cash flows for the finance lease obligation as on 31 March 2019 under Ind AS 17:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	9	0	9
Later than one year but not later than five years	9	0	9
	18	**1**	**17**

b) Company as a lessor

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

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
31 March 2020			
Not later than one year	33	2	31
Later than one year but not later than five years	52	3	49
	85	**5**	**80**
31 March 2019			
Not later than one year	34	2	32
Later than one year but not later than five years	51	3	48
	85	**5**	**80**

31 March 2020 (₹)			
Not later than one year	2,464	168	2,295
Later than one year but not later than five years	3,916	196	3,720
	6,380	**364**	**6,015**

3.29 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. Till 31 March 2019, the CODM evaluated the Company's performance by business segments comprising software services, infrastructure management services and business process outsourcing services.
Consequent to the reorganization of its operations due to technological changes and business requirements, effective 1 April 2019, the Company's holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segments.

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.

Products & Platforms includes standalone product businesses that provide modernized software products to global clients for their technology and industry specific requirements.

Segment information previously reported has been restated to present business segments following the change in composition of operating segments. This change in segment presentation does not affect the statements of income and comprehensive income, balance sheets or statements of cash flows.

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

a) Segment revenue & expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include finance cost, exchange differences and tax expense.

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 for the year ended 31 March 2020 is as follows: **(USD)**

	IT and Business Service	**Engineering and R&D Services**	**Products & Platforms**	**Total**
Segment Revenues	2,352	624	366	3,342
Segment results	48	68	33	149
Unallocated corporate expenses:				
Finance cost				(18)
Other income				37
Profit before tax				**168**
Tax expense				30

Profit for the year				**138**
Significant non-cash items				
Depreciation and amortization	54	3	9	65
Bad debts & advances written off				**5**

Financial information about the business segments for the year ended 31 March 2020 is as follows:

	IT and Business Service	**Engineering and R&D Services**	**Products & Platforms**	**Total (Refer note 1(a)) (₹)**
Segment Revenues	177,978	47,224	27,686	252,888
Segment results	3,666	5,114	2,464	11,244
Unallocated corporate expenses:				
Finance cost				(1,370)
Other income				2,814
Net profit before taxes				**12,688**
Tax expense				2,291
Net profit after taxes				**10,397**
Significant non-cash adjustments				
Depreciation	4,081	196	656	4,926
Provision for doubtful debts & advances / Bad debts & advances written off				**401**

Financial information about the business segments for the year ended 31 March 2019 is as follows: **(USD)**

	IT and Business Service	**Engineering and R&D Services**	**Products & Platforms**	**Total**
Segment Revenues	2,492	587	197	3,276
Segment results	19	143	(24)	138
Unallocated corporate expenses:				
Finance cost				(12)
Other income				94
Net profit before taxes				**220**
Tax expense				(43)
Net profit after taxes				**177**
Significant non-cash adjustments				
Depreciation	23	1	9	33
Provision for doubtful debts & advances / Bad debts & advances written off				**1**

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

	Year ended		
	31 March 2020 (USD)	**31 March 2019 (USD)**	**31 March 2020 (Refer note 1(a)) (₹)**
America	3,253	3,194	246,143
Europe	56	45	4,265
India	8	1	585
Rest of the world	25	36	1,895
	3,342	**3,276**	**252,888**

During the year ended 31 March 2020 and 2019, no single customer represents 10% or more of the company's total revenue and the top five customers accounted for 21.6% and 19.4% of the revenue of the company the year ended 31 March 2020 and 2019 respectively.

3.30 Financial Instruments

(a) Derivatives

The Company is exposed to foreign currency fluctuations on foreign currency assets / liabilities and forecast cash flows denominated in foreign currency. The use of derivatives to hedge foreign currency forecasted cash flows is governed by the Company's strategy, which provides principles on the use of such forward contracts and currency options consistent with the Company's Risk Management Policy. The counterparty in these derivative instruments are banks and the Company considers the risks of non-performance by the counterparty as non-material. A majority of the forward foreign exchange/option contracts mature between one to twelve months and the forecasted transactions are expected to occur during the same period. The Company does not use forward contracts and currency options for speculative purposes.

The following table presents the aggregate notional principal amounts of the outstanding derivative forward covers together with the related balance sheet exposure:

Foreign exchange forward denominated in	Notional currency	Notional Principal amounts			Balance sheet exposure asset (liability)		
		31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Buy covers							
USD/CZK	CZK	30	55	2270	(0.1)	-	(8.1)
USD/PLN	PLN	-	13	-	-	-	-

As of the balance sheet date, the Company's net foreign currency exposure that is not hedged is (USD 5) (₹352) (previous year: USD 32).

(b) Financial assets and liabilities

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

	Fair value through profit and loss	Fair value through Other comprehensive income	Amortized cost	Total Carrying Value
Financial Assets				
Investments	6	-	369	375
Trade receivables	-	-	770	770
Cash and cash equivalents	-	-	79	79
Loans	-	-	199	199
Others (refer note 3.6)	-	-	307	307
Total	**6**	**-**	**1,724**	**1,730**
Financial Liabilities				
Borrowings	-	-	528	528
Trade payables	-	-	194	194
Others (refer note 3.14)	2	5	409	416
Total	**2**	**5**	**1,131**	**1,138**

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

	Fair value through profit and loss	Fair value through Other comprehensive income	Amortized cost	Total Carrying Value
Financial Assets				
Investments	452	-	27,949	28,400
Trade receivables	-	-	58,231	58,231
Cash and cash equivalents	-	-	5,948	5,948
Loans	-	-	15,107	15,107
Others (refer note 3.5)	-	-	23,211	23,211
Total	**452**	**-**	**130,446**	**130,898**

Financial Liabilities				
Borrowings	-	-	39,949	39,949
Trade payables	-	-	14,658	14,658
Others (refer note 3.14)	135	413	31,248	31,383
Total	**135**	**413**	**85,855**	**85,990**

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

	Fair value through profit and loss	**Amortized cost**	**Total Carrying Value**
Financial Assets			
Investments	6	365	371
Trade receivables	-	712	712
Cash and cash equivalents	-	10	10
Loans	-	152	152
Others (refer note 3.5)	-	259	259
Total	**6**	**1,498**	**1,504**
Financial Liabilities			
Borrowings	-	454	454
Trade payables	-	246	246
Others (refer note 3.14)	-	334	334
Total	**-**	**1,034**	**1,034**

Fair value hierarchy

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

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	6	-	-	6

(₹)

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	452	-	-	452

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

(USD)

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Investments carried at fair value through profit and loss	6	-	-	6

Valuation Methodologies

The investment in limited liability partnership (LLP) is classified as fair value through profit and loss. The share of profit/ loss in limited liability partnership (LLP) is accounted for in the books of the Company as and when it is credited/ debited to the Partner's Capital Account and is classified as Level 3.

Fair value of earn-out consideration: The fair value measurement of earn-out consideration is determined using level 3 inputs. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals.

Trade receivables, unbilled receivables, finance lease receivables and contract assets have been valued after making reserve for allowances based on the expected credit loss method, considering factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals, considering impact of COVID – 19 impact on customers and related customer verticals.

(c) 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. The Company has a risk management policy to manage & mitigate these risks.
The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

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

(i) Foreign currency risk

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency and foreign currency forecasted revenue and cash flows. A significant portion of the Company revenue and cost is in Euro, GBP and MXN. The fluctuation in exchange rates in respect to the USD may have potential impact on the statement of profit and loss and other comprehensive income and equity.

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

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

Non-derivative foreign currency exposure as of 31 March 2020 and 31 March 2019 in major currencies is as below:

	Net Financial Assets		Net Financial Liabilities	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
EUR/USD	2	3	1	6
GBP/USD	1	1	1	11
MXN/USD	0	0	0	2

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates arises on borrowings with floating interest rate which is not material.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, inter-corporate deposits, trade receivables, unbilled receivables, finance lease receivables, investment securities and derivative instruments. The cash resources of the Company are invested with banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of nonperformance by counterparties.

The customers of the Company are primarily corporations based in the United States of America and Europe and accordingly, trade receivables and finance lease receivables are concentrated in the respective countries. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.

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

	As at		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Balance at the beginning of the year	7	5	512
Additional provision during the year	8	4	608
Deductions on account of write offs and collections	4	2	268
Balance at the end of the year	**11**	**7**	**852**

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 non-derivative long term financial liabilities based on contractual payments is as below:

	Year 1 (Current)	Year 2	Year 3	Year 4-5	Total
As at 31 March 2020					
Lease liabilities	30	26	21	10	87
Employee bonus accrued	78	15	-	-	93
Deferred Consideration	10	-	-	-	10
Total	118	41	21	10	190
As at 31 March 2019					
Lease liabilities	9	5	2	2	18
Employee bonus accrued	78	1	-	-	79
Deferred Consideration	-	-	-	-	-
Total	**87**	**6**	**2**	**2**	**97**

3.31 Related party transactions

a) <u>Related parties where control exists</u>

Holding companies

- HCL Technologies Limited (Ultimate Holding Company)
- HCL Bermuda Limited (Holding Company)

b) <u>Related parties with whom transactions have taken place during the year</u>

Holding companies

- HCL Technologies Limited
- HCL Bermuda Limited

Direct Subsidiaries

- HCL America Solutions Inc.
- Butler America Aerospace,LLC
- Powerteam, LLC.
- Urban Fulfillment Services LLC
- Telerx Marketing, Inc.

Fellow subsidiaries

- HCL Belgium NV
- HCL Technologies Sweden AB
- HCL Technologies Sweden IOMC

- HCL Technologies Chile SpA
- HCL Technologies Austria Gmbh
- HCL Singapore Pte. Limited, Singapore
- HCL Technologies (Thailand)Ltd
- Geometric SAS
- HCL (Ireland) Information Systems Limited
- HCL (Brazil) Technologia Da Informacao EIRELI
- Axon Solutions Limited
- HCL Investments (UK) Ltd.
- HCL Technologies Sollutions Gmbh
- HCL Canada Inc.
- Axon Solutions (Shanghai) Co. Limited
- HCL Argentina
- HCL Mexico
- HCL Latin America Holding LLC
- HCL Hungry
- HCL Technologies Limited - Portugal Branch
- HCL Technologies Romania s.r.l.
- HCL Technologies UK Limited
- HCL Technologies Italy S.p.A.
- HCL istanbul Bilisim Teknolojileri Limited sirketi
- HCL Technologies BV
- HCL Technologies Belgium BVBA
- HCL Japan Limited, Japan
- HCL Technologies Finland Oy
- HCL TECHNOLOGIES CZECH REPUBLIC s.r.o.
- HCL Technologies Corporate Services Limited.
- HCL Technologies Colombia SAS
- Geometric Americas Inc.
- HCL Technologies (Shanghai) Limited
- HCL Technologies Middle East FZ- LLC
- HCL Technologies Middle East FZ LLC Dubai Branch
- HCL Australia Services Pty. Limited, Australia
- HCL (New Zealand) Limited, New Zealand
- HCL Saudi Arabia LLC
- HCL Hong Kong SAR Limited, Hong Kong
- HCL Technologies Malaysia SDN BHD
- HCL Technologies Philippines Inc
- FILIAL ESPANOLA DE HCL TECHNOLOGIES, S.L. (HCL Spain)
- HCL Technologies France
- HCL Poland Sp.z.o.o.
- HCL Technologies Denmark ApS
- HCL Technologies Norway AS
- HCL Netherlands B.V.
- HCL Technologies (PTY) Ltd. (Fy HCL Axon PTY Ltd.)
- HCL Technologies Germany GmbH
- Actian Corporation
- HCL Great Britain Limited
- HCL GmbH
- HCL Sweden AB
- Statestreet HCL Services (India) Private Limited
- HCL Axon Solutions (Shanghai) Co., Ltd, Guangzhou Branch
- Axon Solutions (Shanghai) - Kunshan Branch
- HCL Axon Solutions (Shanghai) Co., Ltd., Beijing Branch
- HCL Axon Solutions (Shanghai) Co., Ltd., Qingdao Branch
- HCL Axon Solutions (Shanghai) Co., Ltd Tianjin Branch
- HCL Axon Solutions (Shanghai) Co., Ltd. Wuxi Branch
- HCL Technologies Malaysia SDN BHD
- HCL Latin America Holding, LLC, Costa Rica Branch
- HCL Guatemala, Sociedad Anonima
- HCL Technologies Greece Single Member P.C.

- HCL Technologies Lithuania UAB
- HCL Technologies Beijing Co., Ltd
- HCL Technologies Luxembourg S.a.r.l
- HCL Asia Pacific Pte Ltd-Korea Branch
- GAI-Canada Branch
- PT. HCL Technologies Indonesia
- C3i Europe Eood

c) Key management personnel

- Mr. Shiv Nadar – Chairman and Chief Startegy officer and Managing Director
- C. Vijayakumar–President and Chief Executive Officer
- Mr. Prateek Aggarwal- Chief Financial Officer

(d) Transactions with related parties during the year: **(USD)**

Transactions with related parties during the normal course of business	Ultimate Holding Company		Subsidiaries		Fellow Subsidiaries	
	Year ended		Year ended		Year ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Revenue from operations	597	409	33	54	579	259
Dividend Income	-	-	25	-	-	-
Interest Income	-	-	0	0	9	8
Consulting Charges	204	517	17	8	62	103
Corporate Guarantee Fees	-	-	-	-	1	1
Marketing Expense	1	1	-	-	0	0
Interest Expense	-	-	-	0	1	1
Cost of Goods Sold	0	1	-	-	5	2
Insurance	1	1	-	-	-	-
Rent	-	-	-	-	0	-
Other Income	-	-	-	-	-	78
Investments	-	-	4	213	-	-

(₹)

Transactions with related parties during the normal course of business	Ultimate Holding Company	Subsidiaries	Fellow Subsidiaries
	Year ended	Year ended	Year ended
	31 March 2020	31 March 2020	31 March 2020
Revenue from operations	45,150	2,514	43,790
Dividend Income	-	1,892	-
Interest Income	-	12	695
Consulting Charges	15,398	1,281	4,721
Corporate Guarantee Fees	-	-	49
Marketing Expense	77	-	6
Interest Expense	-	24	49
Cost of Goods Sold	27	-	335
Insurance	79	-	-
Rent	-	-	18
Investment	-	303	-

Transactions with Key Managerial personnel during the year	Year ended		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a))(₹)
Compensation	17	5	1294

(e) Outstanding Balances with related parties: **(USD)**

Outstanding balances	Ultimate Holding Company		Subsidiaries		Fellow Subsidiaries	
	As at		As at		As at	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade Receivables	202	217	27	18	198	156
Prepaid Expenses	-	1	-	-	-	-
Deferred Contract cost	8	32	-	-	0	-
Unbilled receivables	26	18	-	-	-	-
Receivable Expenses	0	0	0	0	3	4
Short term deposits	-	-	5	5	79	20
Long term deposits	-	-	-	-	115	127
Interest Receivable	-	-	0	0	2	2
Liability for expenses	39	29	4	-	0	0
Interest Payable	-	-	0	0	0	1
Trade Payables	98	50	10	22	24	85
Short term borrowings	-	-	2	15	19	22

(₹)

Outstanding Balances	Ultimate Holding Company	Subsidiaries	Fellow Subsidiaries
	As at	As at	As at
	31 March 2020	31 March 2020	31 March 2020
Trade Receivables	15,272	2,011	15,013
Prepaid Expenses	-	-	-
Deferred Contract cost	570	-	4
Unbilled receivables	1,980	-	-
Receivable Expenses	13	22	240
Short term deposits	-	475	5,908
Long term deposits	-	-	8,711
Interest Receivable	-	13	164
Liability for expenses	2,953	330	1
Interest Payable	-	8	10
Trade Payables	7,414	821	1,784
Short term borrowings	-	151	1,414

3.32 Commitments and Contingent liabilities

	As at		
	31 March 2020 (USD)	31 March 2019 (USD)	31 March 2020 (Refer note 1(a)) (₹)
Capital and other commitments			
Estimated amount of unexecuted capital contracts	9	13	664
	9	**13**	**664**

The Company 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 Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgement is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Company believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of the Company, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 March 2020.

3.33 Employee benefit plans

Total contributions made to the 401(k) plan by the Company, for the year ended 31 March 2020 is USD 37 (₹ 2,798), (previous year: USD 28).

3.34 Subsequent events

The Company has evaluated all the subsequent events through 07 September 2020, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

As per our report of even date

For BSR & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 101248W/W-100022
Rakesh Dewan Digitally signed by Rakesh Dewan Date: 2020.09.15 23:23:47 +05'30'
Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 15 September 2020

For and on behalf of Board of Directors of HCL America Inc.

C. Vijayakumar Digitally signed by C. Vijayakumar Date: 2020.09.15 22:50:05 +05'30'
C. Vijayakumar
Director

Prateek Aggarwal Digitally signed by Prateek Aggarwal Date: 2020.09.15 21:30:37 +05'30'
Prateek Aggarwal
Director

Date: 15 September 2020