HCL Japan Limited

STANDALONE FINANCIAL STATEMENT

Years ended 31 March 2019 and 2018

2nd & 3rd Floor
Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
Tel : +91 124 681 6000

INDEPENDENT AUDITOR'S REPORT

To the Members of HCL Japan Limited

Opinion

We have audited the accompanying special purpose Ind AS financial statements of HCL Japan Limited ("the Company"), which comprise the Balance sheet as at March 31, 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the special purpose Ind AS financial statements in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose Ind AS financial statements.

Responsibility of Management for the special purpose Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these special purpose Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the special purpose Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the special purpose Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the special purpose Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the special purpose Ind AS financial statements, including the disclosures, and whether the special purpose Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Other Matter

These special purpose Ind AS financial statements have been prepared in all material respects in accordance with the basis of preparation as set out in Note 1(a) to the Ind AS financial statements, which describes the basis of accounting and the related audit covered by the report was carried out following the generally accepted auditing principles in India. This report covering the financial statements of the Company for the year ended March 31, 2019 is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the holding company to comply with the financial reporting requirement in India. Use of these financial statements or the related audit report for any other purpose will be subject to the above explanation.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

Nilangshu Katriar

Per Nilangshu Katriar
Partner
Membership Number: 58814
Place of Signature: Gurugram
Date: 25th June 2019

S.R. BATLIBOI & CO. LLP
GURUGRAM

HCL Japan Limited

STANDALONE FINANCIAL STATEMENT

Years ended 31 March 2019 and 2018

HCL Japan Limited
Balance Sheet as at 31 March 2019
(All amount in millions, except share data and as stated otherwise)

	Note No.	As at 31 March 2019 (JPY)	As at 31 March 2018 (JPY)	As at 31 March 2019 (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	2.1 (A)	315	238	197
(b) Capital work in progress		1	1	1
(c) Other Intangible assets	2.1 (B)	3	5	2
(d) Financial Assets				
(i) Others	2.2	15	59	9
(e) Deferred tax assets (net)	2.20	155	116	97
(f) Other non-current assets	2.3	7	6	4
(2) Current assets				
(a) Inventories	2.4	10	49	6
(b) Financial Assets				
(i) Trade receivables	2.5	2,959	2,148	1,848
(ii) Cash and cash equivalents	2.6	281	216	176
(iii) Contract assets		51	-	32
(iv) Loans	2.7	12	965	7
(v) Others	2.2	305	357	191
(c) Other current assets	2.8	93	90	58
TOTAL ASSETS		4,207	4,250	2,628
II. EQUITY				
(a) Equity Share Capital	2.9	220	220	137
(b) Other Equity		620	208	387
III. LIABILITIES				
(1) Non - current liabilities				
(a) Provisions	2.10	87	44	55
(2) Current liabilities				
(a) Financial Liabilities				
(i) Trade payables	2.11	1,776	2,594	1,110
(ii) Others	2.12	755	395	471
(b) Other current liabilities	2.13	583	615	363
(c) Provisions	2.10	16	70	10
(d) Current Tax Liabilities (Net)		150	104	95
TOTAL EQUITY AND LIABILITIES		4,207	4,250	2,628

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 S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 058814

Gurugram, India
Date: 25th June 2019

S.R. BATLIBOI & CO. LLP GURUGRAM

For and on behalf of the Board of Directors of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 25th June 2019

HCL Japan Limited
Statement of Profit and Loss for the period ended 31 March 2019
(All amount in millions, except share data and as stated otherwise)

		Note No.	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
I	**Revenue**				
	Revenue from operations	2.14	11,772	10,529	7,354
	Other income	2.15	152	22	95
	Total revenue		**11,924**	**10,551**	**7,449**
II	**Expenses**				
	Purchase of traded goods		166	44	104
	Changes in inventories of traded goods	2.16	39	12	25
	Employee benefits expense	2.17	3,605	3,124	2,252
	Finance costs	2.18	3	2	2
	Depreciation and amortization expense	2.1	98	76	61
	Outsourcing costs		7,098	6,559	4,434
	Other expenses	2.19	374	424	233
	Total expenses		**11,383**	**10,241**	**7,111**
III	**Profit before tax**		**541**	**310**	**338**
IV	**Tax expense**				
	Current tax	2.20	168	124	105
	Deferred tax credit	2.20	(39)	60	(24)
	Total tax expense/(credit)		129	184	81
V	**Profit for the year**		**412**	**126**	**257**
VI	**Profit for the year**		**412**	**126**	**257**
VII	**Other comprehensive income**				
	Items that will not be reclassified to profit or loss		-	-	-
	Items that will be reclassified subsequently to profit or loss		-	-	-
VIII	**Total Comprehensive Income for the year**		**412**	**126**	**257**
	Earnings per equity share of par value JPY 50,000 each				
	Basic and Diluted	2.21	93,636	28,748	58,409
	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 S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 058814

Gurugram, India
Date: 25th June 2019

S.R. BATLIBOI & CO. LLP * GURUGRAM *

For and on behalf of the Board of Directors of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 25th June 2019

HCL Japan Limited
Statement of Changes in Equity for the period ended 31 March 2019
(All amount in millions, except share data and as stated otherwise)

	Equity share capital		Other Equity	
	Shares	Share capital	Reserve and Surplus	Earned Surplus Reserve
	(No's)	(JPY)	(JPY)	(JPY)
Balance as of April 1, 2017	4,400	220	27	55
Profit for the year	-	-	126	-
Total comprehensive income for the year	-	-	126	-
Balance as of March 31, 2018	4,400	220	153	55
Balance as of April 1, 2018	4,400	220	153	55
Profit for the year	-	-	412	-
Total comprehensive income for the year	-	-	412	-
Dividend	-	-	-	-
Balance as of March 31, 2019	**4,400**	**220**	**565**	**55**

	Equity share capital		Other Equity	
	Shares	Share capital	Reserve and Surplus	Earned Surplus Reserve
	(No's)	(₹)	(₹)	(₹)
Balance as of April 1, 2018	4,400	137	95	35
Profit for the year	-	-	257	-
Total comprehensive income for the year	-	-	257	-
Balance as of March 31, 2019 (₹)	**4,400**	**137**	**352**	**35**

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 058814

S.R. BATLIBOI & CO. LLP GURUGRAM

Gurugram, India
Date: 25th June 2019

For and on behalf of the Board of Directors of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 25th June 2019

HCL Japan Limited
Cash Flow Statement for the period ended 31 March 2019
(All amount in millions, except share data and as stated otherwise)

		Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
A. Cash flows from operating activities				
Profit before tax		541	310	338
Adjustment for:				
Depreciation and amortization		98	76	61
Interest income		(4)	(22)	(3)
Unrealised exchange loss/(gain) on short term loans		(44)	38	(27)
Provision for Doubtful Debts/ (written back)		(1)	6	(1)
Interest expenses		1	1	1
Operating profit/(loss) before working capital changes		**591**	**409**	**369**
Movement in Working Capital				
(Increase)/decrease in trade receivables		(810)	(452)	(506)
(Increase)/decrease in inventories		39	12	24
(Increase)/decrease in other financial assets and other assets		17	(101)	11
Increase/ (decrease) in trade payables		(818)	1,553	(511)
Increase in provisions, other financial liabilities and other liabilities		309	87	194
Cash generated from/ (used in) operations		**(672)**	**1,508**	**(419)**
Direct taxes paid (net of refunds)		(122)	(1)	(76)
Net cash flow from/ (used in) operating activities	**(A)**	**(794)**	**1,507**	**(495)**
B. Cash flows from investing activities				
Loan given during the year		-	(993)	-
Loan repaid during the year		999	-	624
Purchase of property,plant and equipment, including capital work in progress and capital advances		(165)	(174)	(103)
Interest received		26	15	16
Net cash flow from/(used in) investing activities	**(B)**	**860**	**(1,152)**	**537**
C. Cash flows from financing activities				
Repayment of borrowings		-	(143)	-
Interest paid		(1)	(1)	(1)
Net cash flow from/ (used in) financing activities	**(C)**	**(1)**	**(144)**	**(1)**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)		65	211	41
Cash and cash equivalents at the beginning of the year		216	5	135
Cash and cash equivalents at the end of the year as per note 2.6		**281**	**216**	**176**
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 S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 058814

Gurugram, India
Date: 25th June 2019

S.R. BATLIBOI & CO. LLP GURUGRAM

For and on behalf of the Board of Directors of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 25th June 2019

ORGANIZATION AND NATURE OF OPERATIONS

HCL Japan Limited (hereinafter referred to as the 'Company') is primarily engaged in business of development, installation and implementation of software and management services. The Company was incorporated in Japan in February 1998, having its registered office at 19F, NBF Hibiya Building, 1-1-7, Uchisiwal-cho Chiyoda-Ku, Tokyo.

The financial statements for the year ended 31st March 2019 were approved and authorized for issue by the Board of Directors on 25th June 2019

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements. These financial statements have been prepared on the request of Ultimate Holding Company to comply with the financial reporting requirement in India.

As the Company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act.

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

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

The functional currency of the Company is Japanese Yen (JPY). The translation from JPY to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of JPY 1 = ₹ 0.6247, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹amount represents, or have been or could be converted into, JPY at that or any other rate.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based upon 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 receivable, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

c) Leases

Company as a lessee

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

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

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

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.
Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss

d) Inventories

Stock in trade, stores and spares 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.

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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 and cost of stores and spare parts are determined using the weighted average cost formula.

e) 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 assets as a whole.

All other expenses on existing fixed assets, 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 property, plant and equipment 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 tangible fixed assets for computing depreciation are as follows:

Category of asset	***Life (in years)***
Computer, Laptops & Networking equipment	4-5
Office Equipment	5
Furniture and Fitting	7
Leasehold Improvement Equipment	Over the lease period or useful life of the asset, whichever is lower
Leasehold Improvement Furniture and Fixture	Over the lease period or useful life of the asset, whichever is lower

The useful life as given above best represent the period over which the management expects to use these assets, based on technical assessment. Hence, the useful life for the assets is different from the useful life 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.

f) Intangible 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 amortisation 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 amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation 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 under:

Asset description	**Asset life (in years)**
Software	2-3

g) 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 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.

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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.

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.

h) Revenue Recognition

Adoption of new accounting principles

Effective 1 April 2018, the Company has adopted Ind AS 115 using the cumulative effect method. The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information is not restated in the financial statement. The adoption of the standard did not have any material impact to the financial statements of the entity.

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 entity 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 serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

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 fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated 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.

Multiple performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance

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obligations based on their relative standalone selling price. Standalone selling price is the price at which entity 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 an entity 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 fulfillment 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 entity is a principal to the transaction and net of costs when the entity is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the entity is a principal or an agent, most notably being entity 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 consolidated 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.

i) Foreign currency and translation

The financial statements of the company are presented in its functional currency JPY. 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 the transaction. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense 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.

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j) Income Taxes

Income tax expense comprises current and deferred income tax.

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

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

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

Deferred 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 company and the same taxation authority.

k) Financial Instruments

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

i. Financial assets

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

Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash in banks and short-term deposits with an original maturity of three months or less, 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 other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

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

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 principal 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 OCI. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial instrument 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.

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.

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

Derecognition

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

Offsetting of financial instruments

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

l) Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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. Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

m) Provisions

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

n) Retirement and other Employee benefits

The Company has implemented a public insurance scheme for all employees, which includes health insurance, welfare pension insurance and worker's accident compensation insurance.

The contribution to the public insurance scheme, a defined contribution plan, is made in accordance with the local statutory requirements and charged to the statement of profit and loss for every period, when the contribution is due.

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 based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

o) Recently issued accounting pronouncements

Ind AS 116 – Leases

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

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

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2.1 Property, plant and equipment

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

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 April 2018	Additions	Deletions/ Adjustments	As at 31 March 2019	As at 1 April 2018	Charge for the period	Deletions/ Adjustments	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Leasehold improvements-equipment	14	-	-	14	14	-	-	14	-	-
Leasehold improvements-furniture and fixture	19	-	-	19	17	1	-	18	1	2
Office Equipment	36	3	2	37	16	7	2	21	16	20
Computers	353	170	40	483	138	88	40	186	297	215
Furniture and fittings	6	-	-	6	5	-	-	5	1	1
2.1(A) Property, Plant and Equipment	**428**	**173**	**42**	**559**	**190**	**96**	**42**	**244**	**315**	**238**
Software	10	-	-	10	5	2	-	7	3	5
2.1(B) Other Intangible assets	**10**	**-**	**-**	**10**	**5**	**2**	**-**	**7**	**3**	**5**

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

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 April 2017	Additions	Deletions/ Adjustments	As at 31 March 2018	As at 1 April 2017	Charge for the period	Deletions/ Adjustments	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Leasehold improvements-equipment	14	-	-	14	11	3	-	14	-	3
Leasehold improvements-equipment	19	-	-	19	17	0	-	17	2	2
Office Equipment	36	-	-	36	9	7	-	16	20	27
Computers	202	158	7	353	83	62	7	138	215	119
Furniture and fittings	6	-	-	6	4	1	-	5	1	2
2.1(A) Property, Plant and Equipment	**277**	**158**	**7**	**428**	**124**	**73**	**7**	**190**	**238**	**153**
Software	4	6		10	2	3		5	5	2
2.1(B) Other Intangible assets	**4**	**6**	**-**	**10**	**2**	**3**	**-**	**5**	**5**	**2**

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

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 April 2018	Additions	Deletions/ Adjustments	As at 31 March 2019	As at 1 April 2018	Charge for the period	Deletions/ Adjustments	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Leasehold improvements-equipment	9	-	-	9	9	-	-	9	-	-
Leasehold improvements-furniture and fixture	12	-	-	12	11	1	-	12	-	1
Office Equipment	22	2	1	23	10	4	1	13	10	12
Computers	221	106	25	302	86	55	25	116	186	135
Furniture and fittings	4	-	-	4	3	-	-	3	1	1
2.1(A) Property, Plant and Equipment	**268**	**108**	**26**	**350**	**119**	**60**	**26**	**153**	**197**	**149**
Software	6	-	-	6	3	1	-	4	2	3
2.1(B) Other Intangible assets	**6**	**-**	**-**	**6**	**3**	**1**	**-**	**4**	**2**	**3**

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2.2 Other financial assets

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Non - current			
Finance lease receivables	15	26	9
Security deposits	-	33	-
	15	**59**	**9**
Current			
Interest on short term loan- related parties (refer note 2.26(e))	-	22	-
Unbilled receivables (Previous Year : Unbilled revenue)	183	305	114
Unbilled receivables-related parties (Previous Year : Unbilled revenue-related parties) (refer note 2.26(e))	8	-	5
Advance to suppliers	48	5	30
Security deposits	48	11	31
Finance lease receivables	18	14	11
	305	**357**	**191**

2.3 Other non- current assets

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Unsecured considered good unless otherwise stated			
Prepaid expenses	2	5	1
Deferred contract cost (Previous year : Deferred cost)	5	1	3
	7	**6**	**4**

2.4 Inventories

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Inventories			
Stock in trade	10	49	6
	10	**49**	**6**

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2.5 Trade Receivable

	As at		
	31 March 2019	**31 March 2018**	**31 March 2019**
	(JPY)	**(JPY)**	**(₹)**
Current			
Unsecured considered good (refer note below *)	2,963	2,148	1,851
Trade receivables which have significant increase in credit risk	1	6	1
Trade receivables-credit impaired	-	-	-
	2,964	**2,154**	**1,852**
Impairment Allowance (allowance for bad and doubtful debts)			
Unsecured, considered good	(4)	(1)	(3)
Trade receivables which have significant increase in credit risk	(1)	(5)	(1)
Trade receivables-credit impaired	-	-	-
	2,959	**2,148**	**1,848**

* Note:- Trade Receivable includes receivable from related party amounting to JPY 992 mn (INR 620 mn) (31 March 2018, JPY 567 mn) (refer note 2.26(e))

2.6 Cash and cash equivalent

	As at		
	31 March 2019	**31 March 2018**	**31 March 2019**
	(JPY)	**(JPY)**	**(₹)**
Balance with banks			
- in current accounts	281	216	176
	281	**216**	**176**

2.7 Financial Assets - Loans

	As at		
	31 March 2019	**31 March 2018**	**31 March 2019**
	(JPY)	**(JPY)**	**(₹)**
Current			
Unsecured, considered good			
Others			
Short-Term Loan- related parties (refer note 2.26(e))	-	955	-
Loans and advances to employees	12	10	7
Loans and advances to employees - doubtful	7	6	4
Less: Provision for doubtful advances	(7)	(6)	(4)
	12	**965**	**7**

2.8 Other current assets

	As at		
	31 March 2019	**31 March 2018**	**31 March 2019**
	(JPY)	**(JPY)**	**(₹)**
Others			
Deferred contract cost (Previous year : Deferred cost)	5	4	3
Deferred contract cost - related parties (Previous year : Deferred cost - related parties) (refer note 2.26(e))	21	35	13
Prepaid expenses	64	48	40
Prepaid expenses - related parties (refer note 2.26(e))	3	3	2
	93	**90**	**58**

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2.9 Share Capital

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Authorized			
12,800 (previous year 12,800) equity shares of JPY 50,000 each	640	640	400
Issued, subscribed and fully paid up			
4,400 (previous year 4,400) equity shares of JPY 50,000 each, fully paid up.	220	220	137

Terms/ rights attached to equity shares
The Company has only one class of shares referred to as equity shares having a par value of JPY 50,000/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at			
	31 March 2019		31 March 2018	
	No. of shares	Amount (JPY)	No. of shares	Amount (JPY)
Number of shares at the beginning	4,400	220	4,400	220
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	4,400	220	4,400	220

Shares held by holding/ultimate holding company and or their subsidiaries/associates
Out of equity shares issued by the Company shares held by its holding company, are as below:

	As at			
	31 March 2019		31 March 2018	
	No. of Shares	Amount (JPY)	No. of Shares	Amount (JPY)
Equity shares of JPY 50,000 each HCL Technologies UK, the holding company	4,400	220	4,400	220

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

Name of the shareholder	As at			
	31 March 2019		31 March 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of JPY 50,000 each fully paid				
HCL Technologies UK - the holding company	4,400	100.00%	4,400	100.00%

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

There are no bonus shares issued, no shares issued other than cash and no shares bought back during 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.

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2.10 Provisions

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Non-current			
Provision for employee benefits			
Provision for leave benefits	87	44	55
	87	**44**	**55**
Current			
Provision for employee benefits			
Provision for leave benefits	16	70	10
	16	**70**	**10**

2.11 Trade payables

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Trade payables	145	43	91
Trade payables-related parties (refer note 2.26(e))	1,631	2,551	1,019
	1,776	**2,594**	**1,110**

2.12 Other financial liabilities

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Current			
Others			
Capital accounts payables	21	13	13
Liabilities for expenses	184	191	114
Liabilities for expenses-related parties (refer note 2.26(e))	550	191	344
	755	**395**	**471**

2.13 Other current liabilities

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Contract liabilities (Previous year : Revenue received in advance)	47	24	29
Other Advances			
Advances received from customers	-	-	-
Accrued salaries and benefits			
Employee bonuses accrued	94	88	59
Other employee costs	15	45	9
Others			
Withholding and other taxes payable	344	335	215
Provision for customer discount	4	-	2
Others	79	123	49
	583	**615**	**363**

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2.14 Revenue from operations

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Sale of services	11,527	10,470	7,201
Sale of hardware and software	245	59	153
	11,772	**10,529**	**7,354**

2.15 Other income

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Interest income			
- On loan given to related parties (refer note 2.26 (c))	4	22	2
Exchange differences (net)	147	-	92
Provisions no longer required written back	1	-	1
	152	**22**	**95**

2.16 Changes in inventories of traded goods

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Opening stock	49	61	31
Closing stock	10	49	6
	39	**12**	**25**

2.17 Employee benefits expense

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Salaries, wages and bonus	3,275	2,862	2,046
Contribution to Japan legal welfare and other funds	319	255	199
Staff welfare expenses	11	7	7
	3,605	**3,124**	**2,252**

2.18 Finance cost

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Interest			
-on loans from banks	1	1	1
Bank charges	2	1	1
	3	**2**	**2**

2.19 Other expenses

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Rent	95	65	59
Power and fuel	18	15	11
Repairs and maintenance			
- Plant and machinery	1	2	1
- Buildings	5	-	3
- Others	35	3	22
Communication costs	17	20	11
Travel and conveyance	87	60	54
Business promotion	23	13	14
Legal and professional charges	59	55	37
Audit Fees	-	3	-
Rates and taxes	3	3	2
Recruitment, training and development	19	67	12
Provision for doubtful debts/ bad debts written off	-	6	-
Exchange differences (net)	-	96	-
Miscellaneous expenses	12	16	7
	374	**424**	**233**

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2.20 Income taxes

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Current income tax charge	168	124	105
Deferred tax charge (credit)	(39)	60	(24)
	129	**184**	**81**

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

	Year ended 31 March 2019 (JPY)	Year ended 31 March 2018 (JPY)	Year ended 31 March 2019 (₹)
Profit before income tax	541	310	338
Statutory tax rate	40.43%	30.86%	40.43%
Expected tax expense	**219**	**96**	**137**
Permanent differences	(18)	30	(11)
Impact of rate change	28	(1)	17
Provision for enterprises tax	-	24	-
Foreign tax credit claimed	5	13	3
Provision created for prior year	(105)	22	(65)
Others	-	-	-
Reversal of prior period provision	-	-	-
Total taxes	**129**	**184**	**81**
Effective income tax rate	23.84%	59.35%	23.84%

Components of deferred tax assets and liabilities as on 31 March 2019 **Amount in (JPY)**

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	28	(28)	-
Provision for doubtful debts	1	1	2
Accrued employee costs	68	21	89
Depreciation and amortization	12	9	21
GAAP Adjustment	-	32	32
Others	7	2	9
Net deferred tax assets	116	37	153

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

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	17.00	(17.00)	-
Provision for doubtful debts	1.00	1.00	1.00
Accrued employee costs	42.00	13.00	56.00
Depreciation and amortization	7.00	6.00	13.00
GAAP Adjustment	-	20.00	20.00
Others	4.00	1.00	6.00
Net deferred tax assets	71.00	24.00	96.00

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2.21 Earnings Per Share (EPS)

	Year ended		
	31 March 2019 (JPY)	31 March 2018 (JPY)	31 March 2019 (₹)
Net profit (loss) as per Statement of profit and loss for computation of EPS	412	126	257
Weighted average number of equity shares outstanding in calculating basic and dilutive EPS	4,400	4,400	4,400
Nominal value of equity shares	50,000	50,000	50,000
Profit/(loss) per equity share			
- Basic and Diluted	93,636	28,748	58,409

2.22 Leases

i) Operating Leases: In case of assets taken on lease

The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognized in the statement of profit and loss for the year is JPY 95mn. (March 31, 2018 JPY 65 mn, 31st March 2019 ₹ 59 mn)

Future minimum lease payments and the payment profile of non-cancellable operating leases are as follows:

	As at		
	31 March 2019 (JPY)	31 March 2018 (JPY)	31 March 2019 (₹)
Not later than one year	41	77	26
Later than one year but not later than five years	1	28	1
Later than five years	-	-	-
	42	105	27

ii) Finance Lease: In case of assets given on lease

The Company has given servers to its customers on finance lease basis. The future lease payment 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 2019 (JPY)			
Not later than one year	19	1	18
Later than one year but not later than five years	17	2	15
Later than five years	-	-	
	36	3	33
31 March 2018 (JPY)			
Not later than one year	15	1	14
Later than one year but not later than five years	29	3	26
Later than five years	-	-	-
	44	4	40
31 March 2019 (₹)			
Not later than one year	12	1	11
Later than one year but not later than five years	11	1	9
Later than five years	-	-	-
	23	2	20

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2.23 Segment reporting

The company's operations predominantly relate to providing a range of IT & BPO services targeted at Global 2000 companies spread across America, Europe & Rest of the World. IT services include software services & IT infrastructure management services. Within software services, the company provides application development & maintenance, enterprise application, next generation SAAS (Software As A Service) application services and engineering and R&D (Research and Development) services to several global customers. Infrastructure management services involve managing customer's IT assets effectively. Business process outsourcing services include the traditional contact centre & help desk services and the next generation services around platform BPO & BPAAS (Business Process As A Service) delivered through a global delivery model.

The Chief Operating Decision Maker ("CODM") evaluates the company's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services.
Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting.

The CODM assesses the performance of the operating segments based on a measure of segment earnings.
The company has five geographic segments: India, America, Europe, Japan and Others.

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 assets and liabilities

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

b) Segment revenue and expenses

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

Financial information about the business segments for the year ended March 31, 2019 is as follows

(Amount in JPY)

	Software Services	**Business process outsourcing services**	**Infrastructure services**	**Total**
Segment Revenues	10,299	184	1,289	11,772
Operating expenses	(9,856)	(190)	(1,232)	(11,278)
Depreciation	(9)	-	(89)	(98)
Net revenue of operations from external customers	**434**	**(6)**	**(32)**	**396**
Unallocated corporate Expenses				(4)
Other income				147
Interest Income				5
Finance cost				(3)
Net profit before taxes	**434**	**(6)**	**(32)**	**541**
Tax expense				(129)
Net profit after tax				**412**
Significant non-cash adjustments				
Depreciation	9	-	89	98
Total				98
Provision / (write back) for doubtful debts & advances				(1)

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Financial information about the business segments for the year ended March 31, 2018 is as follows

(Amount in JPY)

	Software Services	Business process outsourcing services	Infrastructure services	Total
Segment Revenues	9,416	51	1,062	10,529
Net revenue of operations from external customers	**284**	**(74)**	**142**	**351**
Unallocated corporate Expenses				(60)
Other income				0
Interest Income				22
Finance cost				(2)
Net profit before taxes	**284**	**(74)**	**142**	**310**
Tax expense				(184)
Net profit after tax				**126**
Significant non-cash adjustments				
Depreciation	8	0	68	76
Total				76
Provision / (write back) for doubtful debts & advances				6

Financial information about the business segments for the period ended March 31, 2019 is as follows **(Amount in ₹)**

	Software Services	Business process outsourcing services	Infrastructure services	Total
Segment Revenues	6,434	115	805	7,354
Segment results	**271**	**(4)**	**(20)**	**247**
Unallocated corporate expenses				(2)
Interest Income				92
Other income				3
Finance cost				(2)
Net profit before taxes	**271**	**(4)**	**(20)**	**338**
Tax expense				(81)
Net profit after tax				**257**
Significant non cash adjustments				
Depreciation	6	-	55	61
Total	6	-	55	**61**
Provision / write off for doubtful debts & advances				(1)

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

Particulars	**Year ended**		
	31 March 2019 (JPY)	**31 March 2018 (JPY)**	**31 March 2019 (₹) (Refer note 1(a))**
America	1,606	629	1,003
Europe	213	382	133
India	-	261	-
Japan	9,949	9,221	6,215
Others	4	36	3
Total	**11,772**	**10,529**	**7,354**

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2.24 Commitments

	As At		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Capital Commitments			
Estimated amount of unexecuted capital contracts	13	45	8
	13	**45**	**8**

2.25 Financial assets and liabilities

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

	Amortized cost	Total carrying value	Amortized cost	Total carrying value
	(JPY)	(JPY)	(₹)	(₹)
Financial assets				
Trade receivables	2,959	2,959	1,848	1,848
Cash and cash equivalents	281	281	176	176
Loans	12	12	7	7
Contract Assets	51	51	32	32
Others	320	320	200	200
Total	**3,623**	**3,623**	**2,263**	**2,263**
Financial liabilities				
Trade payables	1,776	1,776	1,110	1,110
Others	755	755	471	471
Total	**2,531**	**2,531**	**1,581**	**1,581**

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

	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Trade receivables	2,148	2,148
Cash and cash equivalents	216	216
Loans	965	965
Others	416	416
Total	3,745	3,745
Financial liabilities		
Borrowings	-	-
Trade payables	2,594	2,594
Others	395	395
Total	2,989	2,989

(b) Financial risk management

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

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2.25 Financial assets and liabilities(continued)

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

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than foreign curreny. An insignificant portion of the Company's revenue is in other foreign currency while a large portion of costs are in JPY . The fluctuation in exchange rates in respect to JPY may not have potential impact on the statement of profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately JPY 25 mn for the year ended 31 March 2019

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

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

	Net financial assets		Net financial liabilities	
	31 March 2019 (JPY)	31 March 2018 (JPY)	31 March 2019 (JPY)	31 March 2018 (JPY)
EUR/JPY	11	12	(4)	(141)
GBP/JPY	48	-	(7)	(4)
SGD/JPY	-	-	-	-
USD/JPY	2,666	2,563	(98)	(164)

(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 investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

Credit risk
Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled revenue, finance lease receivables. By their nature, all such financial instruments involve risks, including the credit risk of nonperformance by counterparties.

	As at		
	31 March 2019 (JPY)	31 March 2018 (JPY)	31 March 2019 (₹)
Balance at the beginning of the year	6	-	4
Additional provision during the year	1	6	1
Reversal of provision during the year	(2)	-	(1)
Balance at the end of the year	5	6	3

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.

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2.26 Related party transactions

a) Related parties where control exists

HCL Technologies Limited, India (Ultimate holding company)
HCL Technologies UK Limited (Holding company)

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

HCL Technologies Limited
HCL America Inc.
HCL Technologies UK Limited
Geometric Asia Pacific Pte Ltd
HCL Australia Services Pty. Limited
HCL (Ireland) Information Systems Limited
HCL Technologies France
GAPP Japan
HCL Technologies Corporate Services Limited
HCL Technologies Limited - Portugal Branch
HCL Technologies Limited- UAE Branch
HCL Technologies Germany GmbH
HCL Technologies Limited- Swiss Branch
HCL GmbH
HCL Technologies Limited- Ireland Branch
HCL Mexico
HCL Technologies Norway AS
HCL Sweden AB
HCL Technologies Chile SpA
HCL Technologies Colombia SAS
HCL Axon (Pty) Limited
HCL Axon Technologies Inc SD (fly Axon Soltns Canada Inc-SD)
FILIAL ESPANOLA DE HCL TECHNOLOGIES, S.L.(HCL Spain)
HCL Italy SLR
HCL Technologies Denmark ApS
HCL (Brazil) Tecnologia da informacao Ltda.
HCL Axon Solutions (Shanghai) Co., Ltd., Qingdao Branch
HCL Axon Solutions (Shanghai) Co., Ltd., Beijing Branch
HCL AXON Malayia Sdn Bhd (fy Axon Solutions Sdn Bhd)
HCL Technologies Italy S.p.A.
HCL Singapore Pte. Limited
HCL Technologies Limited- Israel Branch
HCL Technologies Limited- Finland Branch
HCL Axon Solutions (Shanghai) Co., Ltd Tianjin Branch
HCL Technologies Belgium BVBA
HCL Technologies Romania s.r.l.
HCL Belgium NV
HCL Technologies Finland Oy
HCL Great Britain Limited
HCL Poland Sp.z.o.o.
Urban Fulfillment Services LLC
HCL Technologies (Shanghai) Limited
Axon Solutions (Shanghai) Co. Limited
HCL Technologies Beijing Co., Ltd
HCL Technologies Ltd. Ogranizacni slozka(Czech Branch)
Geometric China, Inc.
HCL Technologies Limited - Russia Branch
HCL istanbul Bilisim Teknolojileri Limited sirketi
HCL Technologies Vietnam Company Limited
HCL Hong Kong SAR Limited
Axon Solutions Australia Pty Limited
HCL Hungary
PT. HCL Technologies Indonesia
HCL Netherlands B.V.
HCL Bermuda Limited
HCL Comnet Limited
HCL Argentina
HCL Technologies S.A.
HCL Saudi Arabia LLC
HCL Technologies, S.A.
HCL Technologies (Thailand) Ltd.
HCL Technologies (Taiwan) Ltd.
Axon Solutions Limited
HCL Technologies Sweden AB
HCL Technologies Sweden (IOMC)
HCL Technologies BV
HCL America Solutions Inc.
HCL Technologies Philippines Inc

Key Management Personnel

Neelanjan Bhattacharjee- Director

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(All amount in millions, except share data and as stated otherwise)

c) Transactions with related parties during the normal course of business

	Revenue	Operating and other expenses	Interest Income	Loan given	Repayment of Loan given
For the year ended 31 March 2019(JPY)					
Ultimate holding company	782	5,992	-	-	-
Holding company	158	2	-	-	-
Fellow Subsidiaries	562	456	4	-	999
Total	**1,502**	**6,450**	**4**	**-**	**999**
For the year ended 31 March 2018(JPY)					
Ultimate holding company	213	5,549	-	-	-
Holding company	55	5	-	-	-
Fellow Subsidiaries	479	581	22	994	-
Total	**747**	**6,135**	**22**	**994**	**-**
For the year ended 31 March 2019(₹)					
Ultimate holding company	489	3,743	-	-	-
Holding company	99	1	-	-	-
Fellow Subsidiaries	351	285	2	-	624
Total	**939**	**4,029**	**2**	**-**	**624**

d) Transactions with Key Managerial personnel during the year

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(JPY)	(JPY)	(₹)
Representative Directors Remuneration	27	23	17
	27	**23**	**17**

The remuneration to the key management personnel does not include provision made for leave benefits, as they are determined on an actuarial basis for the Company as a whole.

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e) Outstanding balances

	Trade Receivables	Unbilled Revenue	Interest Receivable on short term loans	Trade Payables	Liability For Expenses	Deferred Cost	Prepayments	Short Term Loans
For the year ended 31 March 2019(JPY)								
Ultimate holding company	418	8	-	1,436	534	21	3	-
Holding company	48	-	-	2	-	-		-
Fellow Subsidiaries	526	-	-	193	16	-		-
Total	**992**	**8**	**-**	**1,631**	**550**	**21**	**3**	**-**
For the year ended 31 March 2018(JPY)								
Ultimate holding company	167	-	-	2,218	187	31	3	-
Holding company	52	-	-	1	-	-		-
Fellow Subsidiaries	348	-	22	332	4	4		955
Total	**567**	**-**	**22**	**2,551**	**191**	**35**	**3**	**955**
For the year ended 31 March 2019(₹)								
Ultimate holding company	261	5	-	897	334	13	2	-
Holding company	30	-	-	1	-	-	-	-
Fellow Subsidiaries	329	-	-	121	10	-	-	-
Total	**620**	**5**	**-**	**1,019**	**344**	**13**	**2**	**-**

As per our report of even date
FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 058814

Gurugram, India
Date: 25th June 2019

S.R. BATLIBOI & CO. LLP * GURUGRAM *

For and on behalf of the Board of Directors
of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Date: 25th June 2019

Sundaram Sridharan
Director