# HCL Software Products Limited

Financial Statements

For the years ended 31 March 2020 and 31 March 2019

**HCL Software Products Limited**
**Balance Sheet as at 31 March 2020**
(All amounts in thousands of ₹)

| | Note No. | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|---|
| **I. ASSETS** | | | |
| **(1) Non-current assets** | | | |
| (a) Financial assets | | | |
| (i) Investments | **2.1** | 18,783 | 18,783 |
| (b) Deferred tax assets (net) | **2.17** | 9,642 | - |
| **(2) Current assets** | | | |
| (a) Financial Assets | | | |
| (i) Investments | **2.1** | 432,974 | 415,310 |
| (ii) Trade receivables | **2.2** | - | 81 |
| (iii) Cash and cash equivalents | **2.3** | 7,329 | 4,930 |
| (iv) Loans | **2.4** | 46,700 | 4,942 |
| (v) Others | **2.5** | 138,767 | 6,778 |
| (b) Other current assets | **2.6** | 31,126 | 2,108 |
| (c) Current tax Asset (net) | | 1,165 | 583 |
| **TOTAL ASSETS** | | **686,486** | **453,515** |
| **II. EQUITY** | | | |
| (a) Equity Share Capital | **2.7** | 1,061 | 1,061 |
| (b) Other Equity | | 456,266 | 444,885 |
| **III. LIABILITIES** | | | |
| **(1) Non - current liabilities** | | | |
| (a) Deferred tax liability (net) | **2.17** | - | 1,432 |
| (b) Provisions | **2.8** | 1,455 | 906 |
| **(2) Current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Trade payables | **2.9** | | |
| 1. Dues of micro enterprises and small enterprises | **2.24** | - | - |
| 2. Dues of creditors other than micro enterprises and small enterprises | | 2,266 | 2,238 |
| (ii) Others | **2.10** | 203,138 | 2,180 |
| (b) Other current liabilities | **2.11** | 21,925 | 336 |
| (c) Provisions | **2.8** | 375 | 477 |
| **TOTAL EQUITY AND LIABILITIES** | | **686,486** | **453,515** |
| **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**
**Chartered Accountants**
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.02 20:59:34 +05'30'

**Anurag Maheshwary**
**Partner**
Membership Number: 506533

Place: Gurugram, India
Date: 02 September 2020

**For and on behalf of the Board of Directors**
**of HCL Software Products Limited**

GOUTAM RUNGTA Digitally signed by GOUTAM RUNGTA Date: 2020.09.02 16:54:29 +05'30'

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.09.02 16:54:48 +05'30'

**Goutam Rungta**
Director

**Subramanian Gopalakrishnan**
Director

Place: Noida (UP), India
Date: 02 September 2020

**HCL Software Products Limited**

**Statement of Profit and Loss for the year ended 31 March 2020**

(All amounts in thousands of ₹)

| | | Note No. | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|---|---|---|---|
| **I** | **Revenue** | | | |
| | Revenue from operations | **2.12** | 53,877 | 78,370 |
| | Other income | **2.13** | 29,158 | 29,059 |
| | **Total income** | | **83,035** | **107,429** |
| **II** | **Expenses** | | | |
| | Employee benefits expense | **2.14** | 11,810 | 13,228 |
| | Finance costs | **2.15** | 463 | 202 |
| | Outsourcing costs | | 4,131 | 4,123 |
| | Other expenses | **2.16** | 50,931 | 11,065 |
| | **Total expenses** | | **67,335** | **28,618** |
| **III** | **Profit before tax** | | **15,700** | **78,811** |
| **IV** | **Tax expense** | **2.17** | | |
| | Current tax | | 15,088 | 29,663 |
| | Deferred tax credit | | (11,002) | (5,893) |
| | Total tax expense | | 4,086 | 23,770 |
| **V** | **Profit for the year** | | **11,614** | **55,041** |
| **VI** | **Other comprehensive income** | | | |
| | Defined benefit plan acturial gain losses | | (305) | (36) |
| | Income tax effect | | 72 | 11 |
| **VII** | **Total other comprehensive loss** | | **(233)** | **(25)** |
| **VIII** | **Total comprehensive income for the year** | | **11,381** | **55,016** |
| | **Earnings per equity share of ₹ 10 each** | **2.18** | | |
| | Basic (in ₹) | | 109.49 | 518.91 |
| | Diluted (in ₹) | | 109.49 | 518.91 |
| | **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**
**Chartered Accountants**
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.02 21:00:46 +05'30'

**Anurag Maheshwary**
**Partner**
Membership Number: 506533

Place: Gurugram, India
Date: 02 September 2020

**For and on behalf of the Board of Directors of HCL Software Products Limited**

GOUTAM RUNGTA Digitally signed by GOUTAM RUNGTA Date: 2020.09.02 16:55:30 +05'30'

**Goutam Rungta**
Director

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.09.02 16:55:11 +05'30'

**Subramanian Gopalakrishnan**
Director

Place: Noida (UP), India
Date: 02 September 2020

**HCL Software Products Limited**

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

(All amounts in thousands of ₹, except share data and as stated otherwise)

| | Equity share capital | | Other Equity | Total Equity |
|---|---|---|---|---|
| | Shares | Share capital | Retained earnings | |
| **Balance as of 1 April 2018** | 106,070 | 1,061 | 389,869 | **390,930** |
| Profit for the year | - | - | 55,041 | **55,041** |
| Other comprehensive loss | - | - | (25) | **(25)** |
| **Total comprehensive income for the year** | - | - | 55,016 | **55,016** |
| **Balance as of 31 March 2019** | 106,070 | 1,061 | 444,885 | **445,945** |
| **Balance as of 1 April 2019** | 106,070 | 1,061 | 444,885 | **445,946** |
| Profit for the year | - | - | 11,614 | **11,614** |
| Other comprehensive income loss | - | - | (233) | **(233)** |
| **Total comprehensive income for the year** | - | - | 11,381 | **11,381** |
| **Balance as of 31 March 2020** | 106,070 | 1,061 | 456,266 | **457,327** |

The accompanying notes are an integral part of the financial statements

As per our report of even date

**FOR B S R & Co. LLP**
**Chartered Accountants**
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.02 21:02:31 +05'30'

**Anurag Maheshwary**
**Partner**
Membership Number: 506533

Place: Gurugram, India
Date: 02 September 2020

**For and on behalf of the Board of Directors**
**of HCL Software Products Limited**

GOUTAM RUNGTA Digitally signed by GOUTAM RUNGTA Date: 2020.09.02 16:56:59 +05'30'

**Goutam Rungta**
Director

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.09.02 16:56:27 +05'30'

**Subramanian Gopalakrishnan**
Director

Place: Noida (UP), India
Date: 02 September 2020

**HCL Software Products Limited**

**Cash flow statement**

(All amounts in thousands of ₹)

| | | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | | |
| Profit before tax | | 15,700 | 78,811 |
| **Adjustment for:** | | | |
| Interest income | | (3,372) | (639) |
| Interest expense | | - | - |
| Income on investments carried at fair value through profit and loss | | (25,493) | (28,420) |
| Impairment in value of Investment | | - | 2,303 |
| Other non cash charges | | 40,755 | 125 |
| **Operating profit before working capital changes** | | **27,590** | **52,180** |
| **Movement in Working Capital** | | | |
| (Increase)/decrease in trade receivables | | 81 | 180 |
| (Increase) decrease in other financial assets and other assets | | (199,321) | 14,733 |
| Increase in trade payables | | 28 | 80 |
| Increase/(decrease) in provisions, other financial liabilities and other liabilities | | 262,689 | (13,907) |
| **Cash generated from operations** | | **91,067** | **53,266** |
| Direct taxes paid (net of refunds) | | (15,670) | (30,337) |
| **Net cash flow generated from operating activities** | **(A)** | **75,397** | **22,929** |
| **B. Cash flows from investing activities** | | | |
| Investment in mutual funds | | (1,040,100) | (882,800) |
| Proceeds from sale of mutual funds | | 1,047,929 | 857,117 |
| Loan given to subsidiary | | (93,500) | (14,100) |
| Repayment of loan by subsidiary | | 11,742 | 20,500 |
| Interest received | | 931 | 731 |
| **Net cash flow used in investing activities** | **(B)** | **(72,998)** | **(18,552)** |
| **C. Cash flows from financing activities** | | | |
| **Net cash flow from financing activities** | **(C)** | **-** | **-** |
| Net increase in cash and cash equivalents (A+B+C) | | 2,399 | 4,377 |
| Cash and cash equivalents at the beginning of the year | | 4,930 | 553 |
| **Cash and cash equivalents at the end of the year as per note 2.3** | | **7,329** | **4,930** |

**Summary of significant accounting policies (note 1)**

As per our report of even date.

**FOR B S R & Co. LLP**
**Chartered Accountants**
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.02 21:04:13 +05'30'

**Anurag Maheshwary**
**Partner**
Membership Number: 506533

Place: Gurugram, India
Date: 02 September 2020

**For and on behalf of the Board of Directors**
**of HCL Software Products Limited**

GOUTAM RUNGTA Digitally signed by GOUTAM RUNGTA Date: 2020.09.02 16:57:24 +05'30'

Goutam Rungta
**Director**

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.09.02 16:57:47 +05'30'

Subramanian Gopalakrishnan
**Director**

Place: Noida (UP), India
Date: 02 September 2020

# HCL Software Products Limited

## Notes to financial statements for the year ended 31 March 2020

(All amounts in thousands of ₹, except share data and as stated otherwise)

**Company Overview**

HCL Software Products Limited hereinafter referred to as the 'Company' was incorporated under the provisions of the Companies Act applicable in India in the month of June, 1995, having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi- 110019.During the financial year 2019-20,name of the company changed from HCL Global Processing Services Limited to HCL Software Products Limited.The Company is primarily engaged in providing a range of business process outsourcing services, investment advisory services and products & platform services. The immediate holding company is HCL Bermuda Limited.

The financial statements for the year ended 31 March, 2020 were approved and authorized for issue by the Board of Directors on 02 September 2020.

### 1. Significant accounting policies

#### a) Basis of preparation

The financial statements of the company has 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 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 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.

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

The Company uses the Indian Rupee ('₹') as its reporting currency.

#### 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, income taxes, valuation of share-based compensation, future obligations under employee benefit plans. 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.

#### c) *Equity investments*

Equity investments in subsidiaries are measured at cost less impairment if any.

**d) Foreign currency and translation**

The financial statements of the Company are presented in Indian Rupee (₹) which is also the Company's functional 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 the 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 in which the transaction is settled. 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 INR (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 value 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 securities which must be measured using the guidance for fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 - Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

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

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

In accordance with 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 method.

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

**f) Revenue recognition**

*Brokerage income*

Brokerage fee is accounted, based on brokerage rates provided by the mutual fund companies, on the investments made by the client. Brokerage fee income is recognised on accrual basis using the time proportion method.

*Income from services*

Income from business process outsourcing services is mainly from debt collection, which is accounted based on the agreed rates on collections made for the customer. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customers.

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.

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 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.

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.

*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. 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 related interest and penalties.

Deferred 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. 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 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 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.

**h) Retirement and other employee benefits**

**i.** Contributions to provident fund, a defined benefit plan, are deposited with Recognized Provident Fund Trusts, set up by the ultimate holding Company. The liability is actuarially determined at the end of the year. Actuarial losses/ gains are recognized in the statement of profit and loss in the year in which they arise. The minimum interest rate payable by the Trust to the beneficiaries every year is notified by the Government and the Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

**ii.** Gratuity liability: The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's base salary and the tenure of employment (subject to maximum of ₹ 20 Lacs per employee). The liability is actuarially determined (using the projected unit credit method) at the end of each year. Actuarial gains/losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the year in which they occur.

**iii.** Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expected cost of accumulating compensated absences is determined by actuarial valuation (using the projected unit credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

**iv.** State Plans: The Company's contribution to State Plans , a defined contribution plan namely Employee State Insurance Fund and Employees Pension Scheme are charged to the statement of profit and loss.

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

***Cash and cash equivalent***

a) Cash and cash equivalent in the balance sheet comprise cash in banks, 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:

b) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
c) 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. This category includes cash and bank balances, 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.

***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.

The Company's financial liabilities include trade payables 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.

**j) Earnings per share**

Basic earnings per share are computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share are computed by dividing the net profit after tax 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.

**k) 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 judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

**HCL Software Products Limited**

**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.1 Investments**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Financial assets** | | |
| **Non - current** | | |
| **Unquoted Investments** | | |
| **Equity instruments carried at cost** | | |
| **In subsidiary company, (unquoted), fully paid up** | | |
| 150,000 equity shares of ₹ 1 each, in Concept2Silicon Systems Private Limited | 21,086 | 21,086 |
| Less: Impairment in value of investment | 2,303 | 2,303 |
| | **18,783** | **18,783** |
| **Current** | | |
| **Unquoted Investments** | | |
| Carried at fair value through profit and loss | | |
| Investment in mutual fund | 432,974 | 415,310 |
| | **432,974** | **415,310** |
| **Total investments- Financial assets** | **451,757** | **434,093** |
| Aggregate amount of unquoted investments | 451,757 | 434,093 |
| Equity instruments carried at cost | 18,783 | 18,783 |
| Investments carried at fair value through profit and loss | 432,974 | 415,310 |

**2.2 Trade Receivable**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Unsecured considered good | - | 81 |
| | **-** | **81** |

**2.3 Cash and bank balances**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Cash and cash equivalent** | | |
| Balance with banks | | |
| - in current accounts | 7,329 | 4,929 |
| Remittances in transit | - | 1 |
| | **7,329** | **4,930** |

**HCL Software Products Limited**

**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.4 Financial Assets - Loans**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Current** | | |
| **Carried at amortized cost** | | |
| Unsecured , considered good | | |
| Loans to fellow subsidiary(previous year: Loan to subsidiary) (refer note below and note 2.20(d)) | 86,700 | 4,942 |
| Less: Provision for loan to fellow subsidiary(refer note note 2.20(d)) | (40,000) | - |
| | **46,700** | **4,942** |

Note: Company has given loan to its subsidiary to meet the working capital requirement.

**2.5 Other financial assets**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Current** | | |
| **Carried at amortized cost** | | |
| Unbilled receivable | 1,853 | 5,922 |
| Interest receivable-related party (refer note 2.20(d)) | 2,722 | 280 |
| Other receivables | 133,618 | - |
| Other receivables-related party (refer note 2.20(d)) | 574 | 576 |
| | **138,767** | **6,778** |

**2.6 Other current assets**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Unsecured , considered good** | | |
| Advances other than capital advances | | |
| Security deposits | 6 | - |
| Advances to suppliers | 3,880 | 273 |
| Others | | |
| Goods & service tax receivable | 26,355 | 902 |
| Prepaid expenses | 506 | 511 |
| Other advances | 379 | 422 |
| | **31,126** | **2,108** |
| **Unsecured , considered doubtful** | | |
| Advances other than capital advances | | |
| Advances to employees | 1,367 | 767 |
| Less: Provision for doubtful advances | (1,367) | (767) |
| | - | - |
| | **31,126** | **2,108** |

**HCL Software Products Limited**
**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated

**2.7 Share Capital**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Authorized** | | |
| 1,000,000 (31 March 2019, 1,000,000) equity shares of ₹ 10 each | 10,000 | 10,000 |
| **Issued, subscribed and fully paid up** | | |
| 106,070 (31 March 2019, 106,070) equity shares ₹ 10 each | 1,061 | 1,061 |

**Terms/ rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.

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

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

| | As at | | | |
|---|---|---|---|---|
| | **31 March 2020** | | **31 March 2019** | |
| | No. of shares | ₹ in thousands | No. of shares | ₹ in thousands |
| Number of shares at the beginning | 106,070 | 1,061 | 106,070 | 1,061 |
| Add: Addition during the year | - | - | - | - |
| Number of shares at the end | 106,070 | 1,061 | 106,070 | 1,061 |

**Equity shares held by holding/ultimate holding company**

Out of equity shares issued by the Company, shares held by its holding company are as below:-

| | As at | | | |
|---|---|---|---|---|
| | **31 March 2020** | | **31 March 2019** | |
| | No. of shares | % holding in the class | No. of shares | % holding in the class |
| **HCL Bermuda Limited, the holding company** | | | | |
| Equity shares of ₹ 10 each fully paid up | 106,070 | 100% | 106,070 | 100% |

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

| **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 ₹ 10 each fully paid** | | | | |
| HCL Bermuda Limited | 106,070 | 100% | 106,070 | 100% |

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 were no bonus shares issued, no shares issued for consideration other than cash and no shares bought back during the current and previous year.

**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.

**2.8 Provisions**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Non - current** | | |
| Provision for employee benefits | | |
| Provision for gratuity (refer note 2.22) | 1,067 | 617 |
| Provision for leave benefits | 388 | 289 |
| | **1,455** | **906** |
| **Current** | | |
| Provision for employee benefits | | |
| Provision for gratuity (refer note 2.22) | 246 | 282 |
| Provision for leave benefits | 129 | 195 |
| | **375** | **477** |

**2.9 Trade payables**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Trade payables | 107 | 688 |
| Trade payables-related parties (refer note 2.20(d)) | 2,159 | 1,550 |
| | **2,266** | **2,238** |

**2.10 Other financial liabilities**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Current** | | |
| **Carried at amortized cost** | | |
| Accrued salaries and benefits | | |
| Employee bonuses accrued | 373 | 408 |
| Other employee costs | 605 | 634 |
| Others | | |
| Other payables | 1,190 | - |
| Other payables-related parties (refer note 2.20(d)) | 198,664 | - |
| Liabilities for expenses | 2,306 | 1,138 |
| | **203,138** | **2,180** |

**HCL Software Products Limited**

**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.11 Other current liabilities**

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Witholding and other taxes payable | 21,925 | 336 |
| | **21,925** | **336** |

**2.12 Revenue from operations**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Sale of services | 47,604 | 65,069 |
| Brokerage income | 6,273 | 13,301 |
| | **53,877** | **78,370** |

**Disaggregate Revenue Information**

The disaggregated revenue from contracts with the customers for the year ended 31 March 2020 and 31 March 2019.

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Contract type** | | |
| Fixed price | 47,604 | 65,069 |
| Others | 6,273 | 13,301 |
| **Total** | **53,877** | **78,370** |

Of the above fixed price revenue, business process outsourcing services account for 98%(previous year 100%) and and Products & Platforms accounts for 2% (previous year Nil%). For other revenue, investment advisory services business accounts for 100% revenue(previous year 100%).

**Remaining performance obligations**

As at 31 March 2020, the aggregate amount of transaction price allocated to remaining performance obligation as per requirement of Ind AS 115 was 19,637 thousands out of which approximately 81.42% is expected to be recognized as revenues within one year and the balance beyond one year.after the exclusion of 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.

The company has evaluated the impact of COVID-19 resulting from (a) 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.

**HCL Software Products Limited**

**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.13 Other income**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Interest income | | |
| - Others | 3,372 | 639 |
| Income on investments carried at fair value through profit and loss | | |
| - Unrealized gains(loss) on fair value changes on mutual funds | (2,262) | (26,731) |
| - Profit on sale of mutual funds | 27,755 | 55,151 |
| Exchange differences (net) | 293 | - |
| | **29,158** | **29,059** |

**2.14 Employee benefits expense**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Salaries, wages and bonus | 11,211 | 12,719 |
| Gratuity Expense | 147 | 148 |
| Contribution to provident fund and other employee funds | 415 | 321 |
| Staff welfare expenses | 37 | 40 |
| | **11,810** | **13,228** |

**2.15 Finance cost**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Bank charges | 266 | 202 |
| Interest | | |
| -on direct taxes | 197 | - |
| | **463** | **202** |

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.16 Other expenses**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Rent | 2,601 | 2,601 |
| Power and fuel | 104 | 106 |
| Repairs and maintenance - building | 335 | 342 |
| Travel and conveyance | 1,311 | 29 |
| Legal and professional charges | 4,606 | 3,681 |
| Rates and taxes | 4 | 846 |
| Provision for doubtful advances / advances written off | 755 | 125 |
| Provision for loan to fellow subsidiary | 40,000 | - |
| CSR Expenses (refer note 2.25) | 1,153 | 744 |
| Impairment of investments in subsidiary | - | 2,303 |
| Miscellaneous expenses | 62 | 288 |
| | **50,931** | **11,065** |

**2.17 Income taxes**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **Income tax charged to statement of profit and loss** | | |
| Current income tax charge | 15,088 | 29,663 |
| Deferred tax charge (credit) | (11,002) | (5,893) |
| | **4,086** | **23,770** |
| **Income tax charged to other comprehensive income** | | |
| Expense (benefit) on re-measurements of defined benefit plans | (72) | (11) |
| | **(72)** | **(11)** |

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

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Profit/(loss) before income tax | 15,700 | 78,811 |
| Statutory tax rate in India | 25.17% | 29.1% |
| **Expected tax expense** | **3,952** | **22,950** |
| Permanent Difference | 144 | 779 |
| True up of prior year provision | 218 | (190) |
| Income taxed at a lower / higher rate | (195) | 402 |
| Others | (33) | (171) |
| **Total taxes** | **4,086** | **23,770** |
| Effective income tax rate | 26% | 30% |

**HCL Software Products Limited**

**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated otherwise)

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

| | Opening balance | Recognized in profit and loss | Recognised in / reclassified from OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| MAT credit entitlement | - | - | - | - |
| Provision for doubtful debts | 223 | 10,188 | - | 10,411 |
| Accrued employee costs | 540 | (38) | 72 | 574 |
| Depreciation and amortization | 5 | (2) | - | 3 |
| Others | 17 | (16) | - | 1 |
| **Gross deferred tax assets (A)** | **785** | **10,132** | **72** | **10,989** |
| **Deferred tax liabilities** | | | | |
| Unrealized gain on mutual funds | 2,217 | (870) | - | 1,347 |
| **Gross deferred tax liabilities (B)** | **2,217** | **(870)** | **-** | **1,347** |
| **Net deferred tax liabilities/(asset) (B-A)** | **1,432** | **(11,002)** | **(72)** | **(9,642)** |

Components of deferred tax assets and liabilities as on 31 March 2019

| | Opening balance | Recognized in profit and loss | Recognised in / reclassified from OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| MAT credit entitlement | 1,682 | (1,682) | - | - |
| Provision for doubtful debts | - | 223 | - | 223 |
| Accrued employee costs | 446 | 83 | 11 | 540 |
| Depreciation and amortization | 8 | (3) | - | 5 |
| Others | 83 | (66) | - | 17 |
| **Gross deferred tax assets (A)** | **2,219** | **(1,445)** | **11** | **785** |
| **Deferred tax liabilities** | | | | |
| Unrealized gain on mutual funds | 9,555 | (7,338) | - | 2,217 |
| **Gross deferred tax liabilities (B)** | **9,555** | **(7,338)** | **-** | **2,217** |
| **Net deferred tax liabilities (B-A)** | **7,336** | **(5,893)** | **(11)** | **1,432** |

Beginning with the current year, corporate tax payer can opt for a specified lower tax rate in lieu of current applicable tax rate subject to taxpayers not claiming any specified tax incentives.The Company has opted for lower tax rate from current year.

**2.18 Earnings per share**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Net profit/(loss) as per statement of profit and loss for computation of EPS | 11,614 | 55,041 |
| Weighted average number of shares outstanding in calculating basic EPS | 106,070 | 106,070 |
| Weighted average number of shares outstanding in calculating dilutive EPS | 106,070 | 106,070 |
| Nominal value of equity shares in ₹ | 10 | 10 |
| Earnings per equity share (in ₹) | | |
| - Basic | 109.49 | 518.91 |
| - Diluted | 109.49 | 518.91 |

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.19 Financial instruments**

**(a) Financial assets and liabilities**

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

| | Fair value through profit and loss | Amortized cost | Total carrying value |
|---|---|---|---|
| **Financial assets** | | | |
| Investments (other than in subsidiary) | 432,974 | - | 432,974 |
| Trade receivables | - | - | - |
| Cash and cash equivalents | - | 7,329 | 7,329 |
| Loans | - | 46,700 | 46,700 |
| Others (refer note 2.5) | - | 138,767 | 138,767 |
| **Total** | 432,974 | 192,796 | 625,770 |
| **Financial liabilities** | | | |
| Trade payables | - | 2,266 | 2,266 |
| Others (refer note 2.10) | - | 203,138 | 203,138 |
| **Total** | - | 205,404 | 205,404 |

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

| | Fair value through profit and loss | Amortized cost | Total carrying value |
|---|---|---|---|
| **Financial assets** | | | |
| Investments (other than in subsidiary) | 415,310 | - | 415,310 |
| Trade receivables | - | 81 | 81 |
| Cash and cash equivalents | - | 4,930 | 4,930 |
| Loans | - | 4,942 | 4,942 |
| Others (refer note 2.5) | - | 6,778 | 6,778 |
| **Total** | 415,310 | 16,731 | 432,041 |
| **Financial liabilities** | | | |
| Trade payables | - | 2,238 | 2,238 |
| Others (refer note 2.10) | - | 2,180 | 2,180 |
| **Total** | - | 4,418 | 4,418 |

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.19 Financial instruments (continued)**

**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:

| | Fair value | Level 1 inputs | Level 2 inputs | Level 3 inputs |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments carried at fair value through profit and loss | 432,974 | 432,974 | - | - |

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

The assets and liabilities measured at fair value on a recurring basis as at 31 March, 2019 and the basis for that measurement is as below:

| | Fair value | Level 1 inputs | Level 2 inputs | Level 3 inputs |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments carried at fair value through profit and loss | 415,310 | 415,310 | - | - |

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

**Valuation methodologies**

Investments: The Company's investments consist of investment in debt linked mutual funds which are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1.

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

**(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 through various risk management procedures, manages & mitigate these risks.

The Company's risk management procedures 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. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.19 Financial instruments (continued)**

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 the functional currency. A significant portion of the Company's revenue is in Australian Dollar (AUD) while costs are in Indian rupees. The fluctuation in exchange rates in respect to India rupee may have potential impact on the statement of profit and loss.

Appreciation / depreciation of 1% in AUD with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately ₹ 33 thousand for the year ended 31 March, 2020.

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

Foreign currency exposure as of 31 March 2020 and 31 March 2019 is as below:

| | Net financial assets | | Net financial Liabilities | |
|---|---|---|---|---|
| | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2019 |
| AUD / INR | 16 | 5,084 | 3,370 | 2,206 |

**Credit risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and investment securities. The cash resources of the Company are invested with mutual funds and banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

**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.

**HCL Software Products Limited**

**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.20 Related party disclosures**

**a) Related parties where control exists**

- Holding company: HCL Bermuda Limited
- Ultimate holding company: HCL Technologies Limited

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

- Ultimate holding company: HCL Technologies Limited
- Subsidiaries: Concept2Silicon Systems Pvt Ltd
- Fellow Subsidiaries: HCL Comnet Systems and Services Limited
- Fellow Subsidiaries: HCL Australia Services Pty. Limited

**c) Transactions with related parties during the year in the ordinary course of business**

| | Ultimate Holding Company | | Subsidiary | | 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 |
| Interest Income | - | - | 349 | 639 | 3,023 | - |
| Payment for use of facilities | 2,705 | 3,079 | - | - | - | - |
| Repayment of Loan | - | - | 10,942 | 6,400 | 800 | - |
| Loan given | - | - | 6,000 | - | 87,500 | - |
| Provision for loan to fellow subsidiary | - | - | - | - | 40,000 | - |
| Outsourcing cost | - | - | - | - | 2,262 | - |
| Other Expenses(refer below note) | 364 | - | - | - | - | - |

Note: Other expenses include salary cost and repair & maintenance.

**d) Outstanding balances with related parties**

| | Ultimate Holding Company | | Subsidiary | | Fellow Subsidiary | |
|---|---|---|---|---|---|---|
| | As at | | As at | | As at | |
| | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2019 |
| Loans to subsidiary | - | - | - | 4,942 | 46,700 | - |
| Interest receviable | - | - | 1 | 280 | 2,721 | - |
| Other receivables | 574 | 576 | - | - | - | - |
| Trade payables | - | 1,550 | - | - | 2,159 | - |
| Other payables | 198,664 | - | - | - | - | - |

## 2.21 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assess performance. Till 31 March 2019, CODM evaluated the company's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services.

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 effective 1 April 2019, has reorganized itself into the segments : Business process outsourcing services, Investment advisory services and Products & Platforms.

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 balance sheet or statements of cash flow.

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

a) Segment revenue and expenses
Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. 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.

**HCL Software Products Limited**
**Notes to financial statements for the year ended 31 March 2020**

(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.21 Segment reporting (continued)**

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

| | Investment advisory | Business process outsourcing services | Products & Platforms | Total |
|---|---|---|---|---|
| **Segment revenues** | 6,273 | 46,571 | 1,033 | 53,877 |
| Less : Inter-segment revenue | - | - | - | - |
| **Net revenue of operations from external customers** | **6,273** | **46,571** | **1,033** | **53,877** |
| **Segment results** | **5,705** | **20,455** | **845** | **27,005** |
| Finance cost | | | | - |
| Exchange differences (net) | | | | 293 |
| Other income | | | | 28,865 |
| **Profit before tax** | | | | **15,700** |
| Tax expense | | | | (4,086) |
| **Profit for the year** | | | | **11,614** |

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

| | Investment advisory | Business process outsourcing services | Products & Platforms | Total |
|---|---|---|---|---|
| **Segment revenues** | 13,301 | 65,069 | - | 78,370 |
| Less : Inter-segment revenue | - | - | - | - |
| **Net revenue of operations from external customers** | **13,301** | **65,069** | **-** | **78,370** |
| **Segment results** | **12,654** | **39,400** | **-** | **52,054** |
| Unallocated corporate expenses | | | | (2,303) |
| Finance cost | | | | - |
| Other income | | | | 28,421 |
| Interest income | | | | 639 |
| **Profit before tax** | | | | **78,811** |
| Tax expense | | | | (23,770) |
| **Profit for the year** | | | | **55,041** |

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

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| India | 7,306 | 13,301 |
| Australia | 46,571 | 65,069 |
| | **53,877** | **78,370** |

During the years ended 31 March 2020, no single customer (31st March 2019: single customer) represented 100% revenue of the Business process outsourcing services segment and Product and platform segment(31st March 2019: Business process outsourcing services segment).One customer accounted for more than 10% of the revenue of the company respectively.

**HCL Software Products Limited**
**Notes to financial statements for the year ended 31 March 2020**
(All amounts in thousands of ₹, except share data and as stated otherwise)

**2.22 Employee benefits**

**A. Defined contribution plans and state plans**

The Company has calculated the various benefits provided to employees as given below:
Employer's contribution to Employee State Insurance
Employer's contribution to Employee Pension Scheme

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

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Employer's contribution to Employee's State Insurance | 8 | 13 |
| Employer's contribution to Employee's Pension Scheme | 217 | 152 |
| Total | **225** | **165** |

**B. Defined benefit plans**

a) Gratuity
b) Employer's contribution to provident fund

**Gratuity**

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

**Statement of profit and loss**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Current service cost | 95 | 98 |
| Interest cost | 52 | 50 |
| **Net benefit expense** | **147** | **148** |

**Balance sheet**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Defined benefit obligation | 1,313 | 899 |
| Fair value of plan assets | - | - |
| Less: Unrecognized past service cost | - | - |
| Net plan liability | **1,313** | **899** |
| Current defined benefit obligation | 246 | 282 |
| Non-current defined benefit obligation | 1,067 | 617 |

**2.22 Employee benefits (continued)**

**Changes in present value of defined benefit obligation**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Opening defined benefit obligations | 899 | 877 |
| Current service cost | 95 | 98 |
| Interest cost | 52 | 50 |
| Re-measurement gains/(losses) in OCI | | |
| Actuarial changes arising from changes in demographic assumptions | 2 | 11 |
| Actuarial changes arising from changes in financial assumptions | 145 | - |
| Experience adjustments | 158 | 25 |
| Benefits paid | (38) | (161) |
| **Closing defined benefit obligations** | **1,313** | **899** |

The principal assumptions used in determining gratuity for Company's plan are shown below:

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Discount rate | 6% | 7% |
| Estimated rate of salary increase | 8% | 7% |
| Employee turnover | 45% | 41% |
| Expected rate of return on assets | NA | NA |

The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Discount rate and future salary escalation rate are the key actuarial assumptions to which the defined benefit obligations are particularly sensitive. The following table summarizes the impact on defined benefit obligations as at 31 March 2020 arising due to increase / decrease in key actuarial assumptions by 50 basis points:

| | **Discount rate** | **Salary escalation rate** |
|---|---|---|
| Impact of increase | (3) | 2 |
| Impact of decrease | 3 | (2) |

The sensitivity analysis presented may not be representative of the actual change in the defined benefit obligations as sensitivities have been calculated to show the movement in defined benefit obligations in isolation and assuming there are no other changes in the market conditions. There have been no changes in the methods and assumptions used in preparing the sensitivity analysis.

The defined benefit obligations are expected to mature after 31 March 2020 as follows:-

| **Year ending 31 March,** | **Cash flows** |
|---|---|
| - 2021 | 246 |
| - 2022 | 234 |
| - 2023 | 232 |
| - 2024 | 207 |
| - 2025 | 189 |
| - Thereafter | 1,785 |

The weighted average duration of these cash flows is 5.84 years.

**2.22 Employee benefits (continued)**

**Employer's contribution to provident fund**

The Company contributes to Hindustan Instruments Limited EPF Trust, which is maintained by ultimate holding company HCL Technologies Limited. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants. The actuary has accordingly provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 2019.

Assumptions used in determining the present value of obligations of interest rate guarantee under the Deterministic Approach.

| | As at | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| Government of India bond yield | 7% | 7% |
| Remaining term of maturity | 8 years | 8 years |
| Expected guaranteed interest rate | 9% | 9% |

During the year ended 31 March 2020, the Company has contributed ₹ 191 thousand (31 March 2018, ₹ 157 thousand) towards employer's contribution to provident fund.

**2.23 Payment to auditors**

| | Year ended | |
|---|---|---|
| | **31 March 2020** | **31 March 2019** |
| **As auditors** | | |
| Statutory audit fee | 750 | 750 |
| Tax audit fee | 100 | 100 |
| | **850** | **850** |

### 2.24 Micro and small enterprises

As per information available with the management, the dues payable as at any time during the year ended 31 March 2020 to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" is ₹ Nil (31 March 2019, ₹ Nil).

This has been determined on the basis of responses received from vendors on specific confirmation sought by the Company in this regard.

### 2.25 Corporate social responsibility

As required by the Companies Act, 2013, the gross amount required to be spent by the Company on CSR activities is ₹ 1,153 thousand (31 March 2019: ₹ 744 thousand) and the amount spent is ₹ 1,153 thousand(31 March 2019: ₹ 744 thousand).

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As per our report of even date

**FOR B S R & Co. LLP**
**Chartered Accountants**
Firm's Registration No.: 101248W/W-100022

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.09.02 21:06:33 +05'30'

**Anurag Maheshwary**
**Partner**
Membership Number: 506533

Place: Gurugram, India
Date: 02 September 2020

**For and on behalf of the Board of Directors**
**of HCL Software Products Limited**

GOUTAM RUNGTA Digitally signed by GOUTAM RUNGTA Date: 2020.09.02 16:58:48 +05'30'

**Goutam Rungta**
Director

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.09.02 16:58:21 +05'30'

**Subramanian Gopalakrishnan**
Director

Place: Noida (UP), India
Date: 02 September 2020