

# **HCL Comnet Systems and Services Limited**

Financial Statements

For the year ended 31 March 2022 and 2021

**HCL Comnet Systems and Services Limited**  
**Balance Sheet as at 31 March 2022**  
(All amounts in thousands of ₹, except share data and as stated otherwise)

	Note No.	As at 31 March 2022	As at 31 March 2021
<b>I. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	2.1	-	17,209
(b) Other intangible assets	2.2	-	-
(c) Other non-current assets	2.3	-	157
<b>Total non-current assets</b>		-	17,366
<b>(2) Current assets</b>			
(a) Financial Assets			
(i) Investments	2.4	69,175	50,488
(ii) Trade receivables			
Billed	2.5	35,278	36,897
Unbilled	2.5	15,779	-
(iii) Cash and cash equivalents	2.6	2,607	2,643
(b) Current tax assets (net)		154,202	174,936
(c) Other current assets	2.7	21,659	12,642
<b>Total current assets</b>		298,700	277,606
<b>TOTAL ASSETS</b>		<b>298,700</b>	<b>294,972</b>
<b>II. EQUITY</b>			
(a) Equity share capital	2.8	12,800	12,800
(b) Other equity		17,445	2,826
<b>TOTAL EQUITY</b>		<b>30,245</b>	<b>15,626</b>
<b>III. LIABILITIES</b>			
<b>(1) Non - current liabilities</b>			
(a) Provisions	2.10	-	1,414
<b>Total non-current liabilities</b>		-	1,414
<b>(2) Current liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	2.9	-	176
(ii) Trade payables			
1. Dues of micro enterprises and small enterprises	2.28	3	3
2. Dues of creditors other than micro enterprises and small enterprises	2.11	6,044	3,001
Unbilled and accruals	2.11	255,924	259,632
(iii) Others	2.12	3,118	1,938
(b) Provisions	2.10	1,225	260
(c) Other current liabilities	2.13	2,141	12,922
<b>Total current liabilities</b>		268,455	277,932
<b>TOTAL LIABILITIES</b>		<b>268,455</b>	<b>279,346</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>298,700</b>	<b>294,972</b>

**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**  
**Firm's Registration No.: 101248W/W-100022**  
Chartered Accountants

**For and on behalf of the Board of Directors**  
**of HCL Comnet Systems and Services Limited**

**Rakesh Dewan**  
**Partner**  
Membership Number: 092212

**Atul Kumar Jain**  
Director

**Goutam Rungta**  
Director

Place: Gurugram, India  
Date: 22 July 2022

Place: Noida (UP), India  
Date: 22 July 2022

**HCL Comnet Systems and Services Limited**  
**Statement of Profit and Loss for the year ended 31 March 2022**  
(All amounts in thousands of ₹, except share data and as stated otherwise)

	Note No.	Year ended 31 March 2022	Year ended 31 March 2021
<b>I Revenue</b>			
Revenue from operations	2.14	148,076	165,841
Other income	2.15	12,367	18,330
<b>Total income</b>		<b>160,443</b>	<b>184,171</b>
<b>II Expenses</b>			
Employee benefits expense	2.16	14,722	7,196
Finance costs	2.17	76	12,033
Depreciation and amortization expense	2.1 & 2.2	17,208	16,357
Outsourcing costs		119	16,185
License and transponder fees		77,533	124,242
Other expenses	2.18	36,420	21,650
<b>Total expenses</b>		<b>146,078</b>	<b>197,663</b>
<b>III Profit/(Loss) before tax</b>		<b>14,365</b>	<b>(13,492)</b>
<b>IV Tax expense</b>			
Deferred tax (credit)		(66)	(37)
Total tax expense	2.19	(66)	(37)
<b>V Profit/(Loss) for the year</b>		<b>14,431</b>	<b>(13,455)</b>
<b>VI Other comprehensive income</b>			
Defined benefit plan actuarial gain/(loss)		254	142
Income tax effect		(66)	(37)
<b>Total other comprehensive income</b>		<b>188</b>	<b>105</b>
<b>VII Total comprehensive income/(loss) for the year</b>		<b>14,619</b>	<b>(13,350)</b>
<b>Earnings per equity share of ₹ 10,000 each</b>	2.20		
Basic (in ₹)		11,274	(10,512)
Diluted (in ₹)		11,274	(10,512)
<b>Summary of significant accounting policies</b>	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

For and on behalf of the Board of Directors  
of HCL Comnet Systems and Services Limited

**Rakesh Dewan**  
**Partner**  
Membership Number: 092212

**Atul Kumar Jain**  
Director

**Goutam Rungta**  
Director

Place: Gurugram, India  
Date: 22 July 2022

Place: Noida (UP), India  
Date: 22 July 2022

**HCL Comnet Systems and Services Limited****Statement of Changes in Equity for the year ended 31 March 2022**

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

	Equity share capital		Other equity		
	Number of Shares	Share capital	Reserves and Surplus		Total other equity
			Retained earnings	Capital redemption reserve	
Balance as at 1 April 2020	1,280	12,800	(63,824)	80,000	16,176
Loss for the year	-	-	(13,455)	-	(13,455)
Other comprehensive income	-	-	105	-	105
<b>Total comprehensive loss for the year</b>	-	-	<b>(13,350)</b>	-	<b>(13,350)</b>
Balance as at 31 March 2021	1,280	12,800	(77,174)	80,000	2,826
Profit for the year	-	-	14,431	-	14,431
Other comprehensive income	-	-	188	-	188
<b>Total comprehensive income for the year</b>	-	-	<b>14,619</b>	-	<b>14,619</b>
Balance as at 31 March 2022	1,280	12,800	(62,555)	80,000	17,445

**Nature & purpose of reserves****Capital redemption reserve:-** The company recognizes cancellation of the company's own equity instruments to capital redemption reserve.**Refer note 1 for summary of significant accounting policies**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

For B S R &amp; Co. LLP

Firm's Registration No.: 101248W/W-100022

Chartered Accountants

For and on behalf of the Board of Directors  
of HCL Comnet Systems and Services Limited**Rakesh Dewan****Partner**

Membership Number: 092212

**Atul Kumar Jain**

Director

**Goutam Rungta**

Director

Place: Gurugram, India

Date: 22 July 2022

Place: Noida (UP), India

Date: 22 July 2022

**HCL Comnet Systems and Services Limited****Statement of cash flows for the year ended 31 March 2022**

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

	Year ended 31 March 2022	Year ended 31 March 2021
<b>A. Cash flows from operating activities</b>		
Profit/(Loss) before tax	14,365	(13,492)
<b>Adjustment for:</b>		
Depreciation and amortization	17,208	16,357
Loss on disposal of property plant and equipment	-	3
Profit on disposal of property plant and equipment	(112)	-
Income on sale of current investments carried at fair value through profit and loss	(1,516)	(2,911)
Interest on income tax refund	(9,828)	(1,039)
Interest expenses	12	11,559
Provisions no longer required written back (net)	(10)	(14,273)
Provision for doubtful debts written off	8,419	-
	<b>28,538</b>	<b>(3,795)</b>
<b>Net change in</b>		
Trade receivables	(22,579)	118,234
Other financial assets and other assets	(8,850)	23,844
Trade payables	3,043	(2,088)
Provisions, other financial liabilities and other liabilities	(13,505)	1,900
<b>Cash from/(used in) operations</b>	<b>(13,353)</b>	<b>138,095</b>
Income taxes paid (net of refunds)	30,562	(10,532)
<b>Net cash flow from operating activities (A)</b>	<b>17,209</b>	<b>127,563</b>
<b>B. Cash flows from investing activities</b>		
Purchase of investments in securities	(174,990)	(324,585)
Proceeds from sale of investments in securities	157,821	452,921
Proceeds from sale of property, plant and equipment	112	-
Purchase of property, plant and equipment, including capital work in progress and capital account payable	-	(2,062)
<b>Net cash from/(used in) investing activities (B)</b>	<b>(17,057)</b>	<b>126,274</b>
<b>C. Cash flows from financing activities</b>		
Repayment of long term borrowing	(176)	(199)
Repayment of short term borrowing	-	(359,700)
Proceeds from short term borrowing	-	123,000
Interest paid	(12)	(19,730)
<b>Net cash flow used in financing activities (C)</b>	<b>(188)</b>	<b>(256,629)</b>
Net increase (decrease) in cash and cash equivalents (A+B+C)	(36)	(2,792)
Cash and cash equivalents at the beginning of the year	2,643	5,435
<b>Cash and cash equivalents at the end of the year as per Note 2.6</b>	<b>2,607</b>	<b>2,643</b>

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

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

Chartered Accountants

**For and on behalf of the Board of Directors  
of HCL Comnet Systems and Services Limited****Rakesh Dewan****Partner**

Membership Number: 092212

**Atul Kumar Jain**

Director

**Goutam Rungta**

Director

Place: Gurugram, India

Date: 22 July 2022

Place: Noida (UP), India

Date: 22 July 2022

# **HCL Comnet Systems and Services Limited**

## **Notes to financial statements for the year ended 31 March 2022**

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

### **ORGANIZATION AND NATURE OF OPERATIONS**

HCL Comnet Systems & Services Limited (hereinafter referred to as the “Company”) is primarily engaged in providing bandwidth services. The Company was incorporated under the provisions of the Companies Act applicable in India in December 1993, having its registered office at 806, Sidharth, 96, Nehru Place, New Delhi-110019.

The financial statements for the period ended 31 March 2022 were approved and authorized for issue by the Board of Directors on 22 July 2022.

#### **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) 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.

The Company has incurred losses in the previous years and earned profits in the current year. In order to meet the working capital requirements, HCL Technologies Limited, the holding Company, has confirmed its intention to provide financial and operational support for day to day business requirements of the Company, for a period of not less than 12 months from the date of approval of the financial statements of the company.

In view of the above, the use of going concern assumption has been considered appropriate in the preparation of these financial statements and assets and liabilities have been recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

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 allowance for uncollectible accounts receivables, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment, intangible assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the year in which the changes are made.

In view of pandemic relating to COVID-19, the company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, other assets, impact on revenues and costs and effectiveness of its hedging relationships, including but not limited to the assessment of liquidity and going concern assumption. However, the actual impact of COVID-19 on the company’s financial statements may differ from the estimated and the company will continue to closely monitor any material changes to future economic conditions.

##### **c) Foreign currency and translation**

The financial statements of the Company are presented in Indian Rupee (₹) which is also the Company’s functional currency.

# HCL Comnet Systems and Services Limited

## Notes to financial statements for the year ended 31 March 2022

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

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/(loss) 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.

### d) 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 fixed income 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.

### 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 asset as a whole.

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

# HCL Comnet Systems and Services Limited

## Notes to financial statements for the year ended 31 March 2022

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

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

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in- progress.

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

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

<u>Asset description</u>	<u>Asset life (in years)</u>
Plant and equipment (including air conditioners, electrical installations)	3-10
Office equipment	3-5
Computers	3-5
Furniture and fixtures	7
Vehicles	5

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

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

### f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

The intangible assets are amortized over the estimated useful life of the assets as under:

<u>Asset description</u>	<u>Asset life (in years)</u>
Software	3

### g) Impairment of non financial assets

*Intangible assets and property, plant and equipment*

# HCL Comnet Systems and Services Limited

## Notes to financial statements for the year ended 31 March 2022

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

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

### **h) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **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 equivalents***

Cash and cash equivalents in the balance sheet comprise cash in bank 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, 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***

# HCL Comnet Systems and Services Limited

## Notes to financial statements for the year ended 31 March 2022

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

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.

### **i. Financial liabilities**

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

The Company's financial liabilities include trade payables and borrowings including other payables.

### *Financial liabilities at amortized cost*

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) Revenue recognition**

Revenue is recognized when, or as, control of a promised service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those 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 identified, the contract has commercial substance and collectability of consideration is probable.

Revenue related to 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.

Incentive 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.

# HCL Comnet Systems and Services Limited

## Notes to financial statements for the year ended 31 March 2022

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

### k) Retirement and other employee benefits

i. **Provident fund:** Employees of the Company receive benefits under the provident fund, a defined benefit plan. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Company and fellow subsidiary of the company or Government administered provident fund; while the balance contribution is made to the Government administered pension fund. For the contribution made by the Company to the provident fund trust managed by the Company, the Company has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The liability is actuarially determined (using the projected unit credit method) at the end of the year. The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and other eligible market securities.

ii. **Gratuity liability:** The Company provides for gratuity, a defined benefits plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's base salary and the tenure of employment (subject to a maximum of ₹ 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 contribution to State Plans, a defined contribution plan namely Employee State Insurance Fund is charged to the statement of profit and loss as and when employees render related services.

### l) 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.

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.

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.

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 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 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.

### m) Earnings per share

# **HCL Comnet Systems and Services Limited**

## **Notes to financial statements for the year ended 31 March 2022**

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

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

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

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

### **n) Provisions and contingent liabilities**

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

The company uses significant 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.

### **o) Nature and purpose of reserves**

#### **Remeasurement of defined benefit plans**

The Company recognizes actuarial gains/losses on defined benefit plans in the balance sheet with a corresponding debit or credit to other comprehensive income in the period in which they occur.

### **p) Recently issued accounting pronouncements**

On 23 March 2022, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules, 2022 effective from 1 April 2022. Following is key amended provision which may have an impact on the financial statements of the Company:

#### **Onerous Contracts – Cost of Fulfilling a Contract (Amendment to Ind AS 37)**

The amendments clarifies that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Company does not expect the adoption of this update to have a material impact on its financial statements

**HCL Comnet Systems and Services Limited**

**Notes to financial statements for the year ended 31 March 2022**

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

**2. Notes to financial statements**

**2.1 Property, plant and equipment**

**The changes in the carrying value for the year ended 31 March 2022**

	Plant and equipment	Office equipment	Computers	Furniture and fixtures	Vehicles	Total
Gross block as at 1 April 2021	53,039	251,771	26,833	223	1,126	332,993
Additions	-	-	-	-	-	-
Disposals	34,776	-	1,087	-	560	36,423
Gross block as at 31 March 2022	18,263	251,771	25,746	223	566	296,569
Accumulated depreciation as at 1 April 2021	42,766	249,272	22,584	223	939	315,784
Depreciation	12,429	345	4,247	-	187	17,208
Disposals/other adjustments	36,932	(2,154)	1,085	-	560	36,423
Accumulated depreciation as at 31 March 2022	18,263	251,771	25,746	223	566	296,569
Net block as at 31 March 2022	-	-	-	-	-	-

**The changes in the carrying value for the year ended 31 March 2021**

	Plant and equipment	Office equipment	Computers	Furniture and fixtures	Vehicles	Total
Gross block as at 1 April 2020	55,273	251,771	28,366	223	1,126	336,760
Additions	-	-	1,074	-	-	1,074
Disposals	2,234	-	2,607	-	-	4,841
Gross block as at 31 March 2021	53,039	251,771	26,833	223	1,126	332,993
Accumulated depreciation as at 1 April 2020	32,483	248,923	21,921	223	714	304,265
Depreciation	12,514	349	3,270	-	225	16,357
Disposals/other adjustments	2,231	-	2,607	-	-	4,838
Accumulated depreciation as at 31 March 2021	42,766	249,272	22,584	223	939	315,784
Net block as at 31 March 2021	10,273	2,499	4,249	-	187	17,209
Net block as at 1 April 2020	22,790	2,848	6,445	-	412	32,494

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.2 Other intangible assets****The changes in the carrying value for the year ended 31 March 2022**

	Software
<b>Gross block as at 1 April 2021</b>	1,396
Additions	-
Disposals	94
<b>Gross block as at 31 March 2022</b>	<b>1,302</b>
<b>Accumulated depreciation as at 1 April 2021</b>	1,396
Amortisation	-
Disposals	94
<b>Accumulated depreciation as at 31 March 2022</b>	<b>1,302</b>
<b>Net block as at 31 March 2022</b>	<b>-</b>

**The changes in the carrying value for the year ended 31 March 2021**

	Software
<b>Gross block as at 1 April 2020</b>	14,995
Additions	-
Disposals	13,599
<b>Gross block as at 31 March 2021</b>	<b>1,396</b>
<b>Accumulated depreciation as at 1 April 2020</b>	14,995
Amortization	-
Disposals	13,599
<b>Accumulated depreciation as at 31 March 2021</b>	<b>1,396</b>
<b>Net block as at 31 March 2021</b>	<b>-</b>
<b>Net block as at 1 April 2020</b>	<b>-</b>

**2.3 Other non- current assets**

	As at	
	31 March 2022	31 March 2021
<b>Unsecured, considered good</b>		
Advances other than capital advances		
Advances to suppliers	-	157
	-	157

**HCL Comnet Systems and Services Limited**
**Notes to financial statements for the year ended 31 March 2022**

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

**2.4 Investments**

	As at	
	31 March 2022	31 March 2021
<b>Financial assets</b>		
<b>Current</b>		
<b>Unquoted investments</b>		
Carried at fair value through profit and loss		
Investment in mutual funds	69,175	50,488
	<b>69,175</b>	<b>50,488</b>

**2.5 Trade receivable**

	As at	
	31 March 2022	31 March 2021
Billed		
Unsecured, considered good	54,965	55,495
Trade receivable which have significant increase in credit risk	52,686	44,483
Trade receivable-credit impaired	2,847	3,720
	<b>110,498</b>	<b>103,698</b>
Impairment allowance for bad and doubtful debts	(75,220)	(66,801)
	<b>35,278</b>	<b>36,897</b>
Unbilled receivables-related parties(refer note 2.24)	15,779	-
	<b>51,057</b>	<b>36,897</b>

**Note:-**

1. Includes receivables from related parties amounting to ₹ 18,628 thousand (31 March 2021 ₹ 5,139 thousand).

Trade receivables - current	Not Due	Outstanding as at 31 March 2022 from the due date of payment					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed - considered good	-	50,702	595	3,651	(1)	58	55,005
Undisputed - credit impaired	-	-	-	3,281	8,475	40,890	52,646
Disputed - considered good	-	-	-	-	-	2,847	2,847
	-	<b>50,702</b>	<b>595</b>	<b>6,932</b>	<b>8,474</b>	<b>43,795</b>	<b>110,498</b>
Impairment allowance for bad and doubtful debts							(75,220)
							35,278
Unbilled receivables-related parties(refer note 2.24)							15,779
							<b>51,057</b>

Trade receivables - current	Not Due	Outstanding as at 31 March 2021 from the due date of payment					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed - considered good	3,492	21,928	7,921	11,259	1,331	4,359	50,290
Undisputed - credit impaired	-	-	-	8,472	4,068	37,147	49,687
Disputed - credit impaired	-	-	-	-	-	3,721	3,721
	<b>3,492</b>	<b>21,928</b>	<b>7,921</b>	<b>19,731</b>	<b>5,399</b>	<b>45,227</b>	<b>103,698</b>
Impairment allowance for bad and doubtful debts							(66,801)
							<b>36,897</b>

**2.6 Cash and bank balances**

	As at	
	31 March 2022	31 March 2021
<b>Cash and cash equivalents</b>		
Balance with banks	2,607	2,643
	<b>2,607</b>	<b>2,643</b>

**2.7 Other current assets**

	As at	
	31 March 2022	31 March 2021
<b>Unsecured , considered good</b>		
Advances other than capital advances		
Security deposits	-	14
Advances to suppliers	4,180	4,171
Others		
Prepaid expenses	253	2,726
Goods and service tax receivable	-	319
Other receivables-related parties(refer note 2.24)	17,207	5,390
Other advances	19	22
	<b>21,659</b>	<b>12,642</b>
<b>Unsecured , considered doubtful</b>		
Others		
Goods and service tax receivable	4,812	1,969
Less: Provision for other current assets	(4,812)	(1,969)
	-	-
	<b>21,659</b>	<b>12,642</b>

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.8 Share capital**

	As at	
	31 March 2022	31 March 2021
<b>Authorized</b>		
20,000 (31 March 2021, 20,000) equity shares of ₹ 10,000 each	200,000	200,000
5,500,000 (31 March 2021, 5,500,000) redeemable preference shares of ₹ 100 each	550,000	550,000
<b>Issued, subscribed and fully paid up</b>		
1,280 (31 March 2021, 1,280) equity shares ₹ 10,000 each	12,800	12,800

**Terms/ rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having a par value of ₹10,000/-. 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 year**

	As at			
	31 March 2022		31 March 2021	
	No. of shares	₹ in Thousands	No. of shares	₹ in Thousands
Number of shares at the beginning	1,280	12,800	1,280	12,800
Add: Shares issued during the year	-	-	-	-
Number of shares at the end	1,280	12,800	1,280	12,800

**Equity 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 2022		31 March 2021	
	No. of shares	% holding in the class	No. of shares	% holding in the class
<b>HCL Technologies Limited</b>				
Equity shares of ₹ 10,000 each fully paid	1,280	100%	1,280	100%

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

Name of the shareholder	As at			
	31 March 2022		31 March 2021	
	No. of shares	% holding in the class	No. of shares	% holding in the class
<b>Equity shares of ₹ 10,000 each fully paid</b>				
HCL Technologies Limited, the holding company	1,280	100%	1,280	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 year (31 March 2021 Nil).

**HCL Comnet Systems and Services Limited**
**Notes to financial statements for the year ended 31 March 2022**

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

**Capital management**

The primary objective of 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 and borrowing from related party.

**2.9 Borrowings**

	Current	
	As at	
	31 March 2022	31 March 2021
<b>Long term borrowings</b>		
Secured		
Term loan from banks(refer note 1 below)	-	176
	-	176
Less: current maturities of long term borrowings	-	(176)
	-	-
<b>Short term borrowings</b>		
Unsecured		
Current maturities of long term borrowings	-	176
	-	176

**Note 1 :** The Company had availed a term loan of NIL (31 March 2021, ₹ 176 thousand) secured by hypothecation of gross vehicles of ₹ 566 thousand (31 March 2021, ₹ 1,126 thousand) at an interest rate of 9.15%.

**2.10 Provisions**

	As at	
	31 March 2022	31 March 2021
<b>Non - current</b>		
Provision for employee benefits		
Provision for gratuity (refer note 2.23)	-	1,088
Provision for leave benefits	-	326
	-	1,414
<b>Current</b>		
Provision for employee benefits		
Provision for gratuity (refer note 2.23)	870	169
Provision for leave benefits	355	91
	1,225	260

**2.11 Trade payables**

	As at	
	31 March 2022	31 March 2021
Trade payables (refer note 2.28)	3,790	1,161
Trade payables-related parties (refer note 2.24)	2,257	1,843
	6,047	3,004
Unbilled and accruals	255,000	258,875
Unbilled and accruals-related parties (refer note 2.24)	924	757
	255,924	259,632

Particulars	Not Due	Outstanding as at 31 March 2022 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	3	-	-	3
(ii) Others	2,632	2,429	810	3	170	6,044
	2,632	2,429	813	3	170	6,047
Unbilled and accruals						255,924
						261,971

Particulars	Not Due	Outstanding as at 31 March 2021 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	3	-	-	-	3
(ii) Others	1,213	1,443	190	118	37	3,001
	1,213	1,446	190	118	37	3,004
Unbilled and accruals						259,632
						262,636

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.12 Other financial liabilities**

	As at	
	31 March 2022	31 March 2021
<b>Current</b>		
<b>Carried at amortized cost</b>		
Interest accrued on borrowings-related parties (refer note 2.24)	-	103
Accrued salaries and benefits		
- Employee bonuses accrued	1,021	760
- Other employee costs	1,603	1,075
Other payable	494	-
	<b>3,118</b>	<b>1,938</b>

**2.13 Other current liabilities**

	As at	
	31 March 2022	31 March 2021
Other Advances		
- Advances received from customers	956	11,854
Others		
- Goods and services tax payable	353	866
- Withholding tax payable	832	202
	<b>2,141</b>	<b>12,922</b>

**2.14 Revenue from operations**

	Year ended	
	31 March 2022	31 March 2021
<b>Sale of services</b>		
Bandwidth and other services	148,076	165,841
	<b>148,076</b>	<b>165,841</b>

**Disaggregate Revenue Information**

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

	Year ended 31 March 2022	Year ended 31 March 2021
Fixed price	148,076	165,841
	<b>148,076</b>	<b>165,841</b>
<b>Geography wise</b>		
India	148,076	165,841
	<b>148,076</b>	<b>165,841</b>

**Remaining performance obligations**

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc).

As at 31 March 2022, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was ₹ 64,052 thousand (31 March 2021, Nil) out of which, approximately 100%(31 March 2021, Nil) is expected to be recognized as revenues within one year. These amounts are not adjusted for variable consideration allocated to remaining performance obligation, which are not probable. These amounts also exclude contracts for which we recognize revenues based on the right to invoice for services performed and contracts where consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.14 Revenue from operations(continued)****Contract balances**

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

The company does not have any contract assets as on 31 March 2022 (31 March 2021, Nil).

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized. The company does not have any contract liability as on 31 March 2022 (31 March 2021, Nil).

Deferred contract cost : Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract. The company does not have any deferred contract cost as on 31 March 2022 (31 March 2021, Nil).

Reconciliation of revenue recognised with the contracted price is as follows:

	Year ended	
	31 March 2022	31 March 2021
Contracted price	151,384	162,197
(Reduction)/Reversal towards variable consideration components	(3,308)	3,644
<b>Balance as at 31 March 2022</b>	<b>148,076</b>	<b>165,841</b>

Note: A single customer represents 10% or more of the Company's total revenue for the year ended 31 March 2022 (No single customer, 31 March 2021).

**2.15 Other income**

	Year ended	
	31 March 2022	31 March 2021
Income on investments carried at fair value through profit and loss		
- Unrealized gains/(loss) on fair value changes on mutual funds	391	(759)
- Profit on sale of mutual funds	1,126	3,670
Profit on sale of property, plant and equipment	112	-
Exchange differences (net)	-	107
Provisions no longer required written back (net)	10	14,273
Interest on income tax refund	9,828	1,039
Miscellaneous income	900	-
	<b>12,367</b>	<b>18,330</b>

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.16 Employee benefits expense**

	Year ended	
	31 March 2022	31 March 2021
Salaries, wages and bonus	14,151	6,586
Contribution to provident fund and other employee funds	484	294
Staff welfare expenses	87	316
	<b>14,722</b>	<b>7,196</b>

Note : Employee benefit expenses for the year ended 31 March 2021 include one-time special bonus of ₹ 157 thousands paid to employees in recognition of the Group achieving the \$10 Billion revenue mark.

**2.17 Finance cost**

	Year ended	
	31 March 2022	31 March 2021
Interest		
- on loan from bank	12	27
- on loans from related party (refer note 2.24)	-	11,532
Bank charges	64	474
	<b>76</b>	<b>12,033</b>

**2.18 Other expenses**

	Year ended	
	31 March 2022	31 March 2021
Rent	1,391	2,386
Power and fuel	11,394	12,169
Communication costs	188	191
Travel and conveyance	602	170
Legal and professional charges	2,256	4,519
Provision for doubtful debts/ bad debts written off	8,419	-
Loss on disposal of property, plant and equipment	-	3
Rates and taxes	11,593	1,595
Miscellaneous expenses	577	617
	<b>36,420</b>	<b>21,650</b>

**2.19 Income taxes**

	Year ended	
	31 March 2022	31 March 2021
<b>Income tax charged to statement of profit and loss</b>		
Current income tax charge (credit)	-	-
Deferred tax charge (credit)	(66)	(37)
	<b>(66)</b>	<b>(37)</b>
<b>Income tax charged to other comprehensive income</b>		
Expense on re-measurements of defined benefit plans	66	37
	<b>66</b>	<b>37</b>

# HCL Comnet Systems and Services Limited

## Notes to financial statements for the year ended 31 March 2022

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

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 2022	31 March 2021
Profit/(Loss) before income tax	14,365	(13,492)
Statutory tax rate in India	26.00%	26.00%
<b>Expected tax expense</b>	3,735	(3,508)
Other permanent differences	724	412
Unrecognised tax benefit	4,259	3,059
Deferred tax not created on utilisation of tax losses	(8,784)	-
<b>Total taxes (income)</b>	<b>(66)</b>	<b>(37)</b>
<b>Effective income tax rate</b>	<b>-0.46%</b>	<b>-0.27%</b>

Components of deferred tax assets and liabilities as on 31 March 2022

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
<b>Deferred tax assets</b>				
Business losses	107	168	-	275
<b>Gross deferred tax assets (A)</b>	<b>107</b>	<b>168</b>	<b>-</b>	<b>275</b>
<b>Deferred tax liabilities</b>				
Others	107	102	66	275
<b>Gross deferred tax liabilities (B)</b>	<b>107</b>	<b>102</b>	<b>66</b>	<b>275</b>
<b>Net deferred tax assets (A-B)</b>	<b>-</b>	<b>66</b>	<b>(66)</b>	<b>-</b>

Components of deferred tax assets and liabilities as on 31 March 2021

	Opening balance	Recognized in profit and loss	Recognised in / reclassified from OCI	Closing balance
<b>Deferred tax assets</b>				
Business losses	267	(160)	-	107
MAT credit entitlement	-	-	-	-
Provision for doubtful debts	-	-	-	-
Accrued employee costs	-	-	-	-
Depreciation and amortization	-	-	-	-
Others	-	-	-	-
<b>Gross deferred tax assets (A)</b>	<b>267</b>	<b>(160)</b>	<b>-</b>	<b>107</b>
<b>Deferred tax liabilities</b>				
Others	267	(197)	37	107
<b>Gross deferred tax liabilities (B)</b>	<b>267</b>	<b>(197)</b>	<b>37</b>	<b>107</b>
<b>Net deferred tax assets (A-B)</b>	<b>-</b>	<b>37</b>	<b>(37)</b>	<b>-</b>

Deferred tax assets (net) primarily related to carried forward losses and other temporary differences amounting to ₹ 104,219 thousand (31 March 2021, ₹ 108,744 thousand) was not recognized as per applicable accounting standards. These tax losses amounting to ₹ 18,399 thousand and ₹ 13,692 thousand can be carried forward till March 2028 and March 2029 respectively.

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.20 Earnings per share**

	Year ended	
	31 March 2022	31 March 2021
Profit/(Loss) for the year attributable to shareholders of the Company	14,431	(13,455)
Weighted average number of shares outstanding in calculating basic EPS	1,280	1,280
Weighted average number of shares outstanding in calculating diluted EPS	1,280	1,280
Nominal value of equity shares (in ₹)	10,000	10,000
Earnings per equity share (in ₹)		
- Basic	11,274	(10,512)
- Diluted	11,274	(10,512)

**2.21 Financial instruments****(a) Financial assets and liabilities**

The carrying value of financial instruments by categories as at 31 March 2022 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
<b>Financial assets</b>			
Investments	69,175	-	69,175
Trade receivables (including unbilled)	-	51,057	51,057
Cash and cash equivalents	-	2,607	2,607
<b>Total</b>	<b>69,175</b>	<b>53,664</b>	<b>122,839</b>
<b>Financial liabilities</b>			
Trade payables (including unbilled and accruals)	-	261,972	261,972
Others (refer note 2.12)	-	3,118	3,118
<b>Total</b>	<b>-</b>	<b>265,090</b>	<b>265,090</b>

The carrying value of financial instruments by categories as at 31 March 2021 is as follows:

	Fair value through profit and loss	Amortized cost	Total carrying value
<b>Financial assets</b>			
Investments	50,488	-	50,488
Trade receivables (including unbilled)	-	36,897	36,897
Cash and cash equivalents	-	2,643	2,643
<b>Total</b>	<b>50,488</b>	<b>39,540</b>	<b>90,028</b>
<b>Financial liabilities</b>			
Borrowings	-	176	176
Trade payables (including unbilled and accruals)	-	262,636	262,636
Others (refer note 2.12)	-	1,938	1,938
<b>Total</b>	<b>-</b>	<b>264,750</b>	<b>264,750</b>

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**Fair value hierarchy**

The assets and liabilities measured at fair value on a recurring basis as at 31 March 2022 and the basis for that measurement is as below:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
<b>Assets</b>				
Investments carried at fair value through profit and loss	69,175	69,175	-	-

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

The following table discloses the assets and liabilities measured at fair value on a recurring basis as at 31 March 2021 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
<b>Assets</b>				
Investments carried at fair value through profit and loss	50,488	50,488	-	-

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

**Valuation methodologies**

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.

Investments: The Company's investments consist primarily of investment in debt linked mutual funds. Fair values of investment securities classified as fair value through profit and loss 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.

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**(b) Financial risk management**

The Company is exposed to 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.

**Credit risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and mutual funds. The cash resources of the Company are invested with mutual funds 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.

The customers of the Company are primarily corporations based in India and accordingly trade receivables are concentrated in India. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of trade receivables.

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

	As at	
	31 March 2022	31 March 2021
Balance at the beginning of the year	66,801	66,801
Additional provision during the year	12,844	-
Deductions on account of write offs and collections	(4,425)	-
<b>Balance at the end of the year</b>	<b>75,220</b>	<b>66,801</b>

**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 Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.22 Segment reporting**

Operating segments are defined as components of an enterprise for which discrete financial information is available and their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company is providing bandwidth services under a license from the Department of Telecommunications ("DOT"), Government of India. As per the management of the Company, it evaluates the performance of the Company as one business segment operating in a single geography. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards - 108 "Operating segments notified under section 133 of the Companies Act, 2013. Accordingly, no disclosure for segment reporting has been included in the financial statements.

**2.23 Employee benefits****A. Defined contribution plans and state plans**

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

1. Employer's contribution to Employee State Insurance
2. 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 2022	31 March 2021
Employer's contribution to Employee's State Insurance	11	46
Employer's contribution to Employee's Pension Scheme	135	152
<b>Total</b>	<b>146</b>	<b>198</b>

**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 2022	31 March 2021
Current service cost	81	199
Interest cost	79	108
<b>Net benefit expense</b>	<b>160</b>	<b>307</b>

**Balance sheet**

	Year ended	
	31 March 2022	31 March 2021
Defined benefit obligation	870	1,257
Fair value of plan assets	-	-
Less: Unrecognized past service cost	-	-
<b>Net plan liability</b>	<b>870</b>	<b>1,257</b>
Current defined benefit obligation	870	169
Non-current defined benefit obligation	-	1,088

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

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

	Year ended	
	31 March 2022	31 March 2021
Opening defined benefit obligations	1,257	1,740
Current service cost	81	199
Interest cost	79	108
Re-measurement gains/(losses) in OCI		
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	(12)	20
Experience adjustments	(243)	(162)
Benefits paid(including intra group transfer)	(292)	(648)
<b>Closing defined benefit obligations</b>	<b>870</b>	<b>1,257</b>

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

	Year ended	
	31 March 2022	31 March 2021
Discount rate	6.90%	6.75%
Estimated rate of salary increase	8.00%	8.00%
Employee turnover	37.00%	37.00%
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 2022 arising due to increase / decrease in key actuarial assumptions by 50 basis points:

	Discount rate	Salary escalation rate
Impact of increase	832	909
Impact of decrease	909	833

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 2022 as follows:-

Year ending 31 March,	Cash flows
- 2023	78
- 2024	80
- 2025	82
- 2026	140
- 2027	149
- Thereafter	5,761

The weighted average duration of these cash flows is 8.89 years.

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**Employer's contribution to provident fund**

The Company contributes Provident Fund of its employees in an exempted Trust namely to HCL Comnet Systems and Services Limited Employee Trust. The disclosure of plan assets cannot be provided as the plan assets are not attributable to its participants since included assets includes also pertains to employees of erstwhile HCL Comnet Limited which now stands merged in HCL Technologies Limited pursuant to filling of the certified true copy of the Orders of Hon'ble National Company Law Tribunal, Delhi with the Registrar of Companies on 13 March 2020 . The merger was effective from 01 April 2019. The actuary has provided a valuation and based on the assumption mentioned below there is no shortfall as at 31 March 2022 and 31 March 2021.

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

	As at	
	31 March 2022	31 March 2021
Government of India bond yield	6.80%	6.45%
Remaining term of maturity	6.54 years	6.26 years
Expected guaranteed interest rate	8.10%	8.50%

During the year ended 31 March 2022, the Company has contributed ₹ 338 thousand (31 March 2021, ₹ 96 thousand) towards employer's contribution to provident fund.

**2.24 Related party transactions****a) Holding Company**

- HCL Technologies Limited

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

- HCL Software Products Limited
- C3I Support Services Private Limited

**Significant influence**

- HCL Avitas Private Limited

**HCL Comnet Systems and Services Limited**
**Notes to financial statements for the year ended 31 March 2022**

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

Transactions with related parties during the normal course of business	Holding Company		Fellow subsidiaries		Significant influence	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Payment for use of facilities	12,785	13,569	-	-	-	-
Interest on short term borrowings	-	3,945	-	7,587	-	-
Repayment of short term borrowing	-	150,000	-	209,700	-	-
Proceeds from short term borrowing	-	-	-	123,000	-	-
Revenue from Operation	15,779	-	-	-	-	-
Other expenses	-	-	-	-	87	128

Outstanding balances	Holding Company		Fellow subsidiaries		Significant influence	
	As at		As at		As at	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Trade receivables and other current assets	35,836	5,390	-	-	-	-
Trade payables and financial liabilities	3,179	2,585	-	103	2	14

Material related party transactions		Year ended	Year ended
		31 March 2022	31 March 2021
<b>Repayment of short term borrowing</b>			
HCL Technologies Limited		-	150,000
HCL Software Products Limited		-	159,700
C3I Support Services Private Limited		-	50,000
<b>Proceeds from short term borrowing</b>			
C3I Support Services Private Limited		-	50,000
HCL Software Products Limited		-	73,000
<b>Revenue from Operation</b>			
HCL Technologies Limited		15,779	-

Material related party balances		As at	
		31 March 2022	31 March 2021
<b>Other Receivables</b>			
HCL Technologies Limited		16,914	-
<b>Unbilled receivables</b>			
HCL Technologies Limited		15,779	-

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.25 Commitments and contingent liabilities**

	As at	
	31 March 2022	31 March 2021
<b>i) Capital and other commitments</b>		
<b>Capital commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	-
<b>ii) Contingent liabilities</b>	-	1,330,198
	-	<b>1,330,198</b>

(a) The company had received a demand from Department of Telecommunications (DoT) in February 2015 for FY 2011-12 and FY 2013-14 for an amount of ₹ 1,330,198 thousands, including penalty, interest and interest on penalty. Further, In July 2021 company has received updated provisional order for FY 2011-12 and FY 2013-14 for an amount of ₹ 3,464,180 thousands after adding including interest, penalty, and interest on penalty up to July 2021. It had received provisional assessment orders for all the prior years with no demand. Demand is primarily due to DoT including IT Services revenues and related exchange gains in Adjusted Gross Revenue (AGR). The company had obtained stay in 2015 and its petition is pending adjudication at the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT"). The IT Services business had been demerged from the company with effect 1 April 2012. The Hon'ble Supreme Court has pronounced its ruling on the AGR matter relating to Unified Access Service License on 24 October 2019. Subsequent to this ruling, the Company has obtained legal opinion and is of the view that it should be able to defend its position in the above matter. In March 2022, the Company has received a favorable judgement from TDSAT setting aside the demand raised by DOT including IT services revenue and related exchange gains in AGR.

(b) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The effective date from which the changes are applicable is yet to be notified and the final rules are yet to be framed. The company will carry out an evaluation of the impact and record the same in the financial statements in the period in which the Code becomes effective and the related rules are published.

(c) The Company is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Certain of these matters include speculative and frivolous claims for substantial or indeterminate amount of damages. The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgement is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and updated information. The Company believe that the amount or estimated range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of 31 March 2022.

**2.26 Payment to auditors**

	Year ended	
	31 March 2022	31 March 2021
<b>As auditors</b>		
Statutory audit fee	280	280
Tax audit fee	70	70
	<b>350</b>	<b>350</b>

**HCL Comnet Systems and Services Limited**
**Notes to financial statements for the year ended 31 March 2022**

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

**2.27 Ratio**

Ratio	Numerator	Denominator	Units	Year ended		% Variance
				31 March 2022	31 March 2021	
Current ratio	Current assets	Current liabilities	Times	1.11	1.00	11%
Debt equity ratio	Total Debt	Total equity	Times	0.00	0.01	-100%
Debt service coverage ratio	Earning availables for debt service (refer note 1 below)	Debt service (refer note 2 below)	Times	169	1	13368%
Return on equity ratio	Net profit after taxes	Average Total equity	%	64%	-60%	-206%
Inventory turnover ratio	Cost of good sold (refer note 3 below)	Average inventory	Times	NA	NA	NA
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	3.37	1.73	95%
Trade payables turnover ratio	Net credit purchases (refer note below 4)	Average Trade Payables	Times	NA	NA	NA
Net capital turnover ratio	Revenue from operations	Working capital (refer note below 5)	Times	4.9	(509.6)	-101%
Net profit ratio	Profit for the year	Revenue from operations	%	10%	-8%	-221%
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 6 below)	%	48%	-12%	-489%
Return on investment - Unquoted	Income generated from invested funds	Time weighted average investments	%	3.40%	3.40%	0%

**Notes :**

(1) Earning availables for debt services = Net profit after taxes + depreciation and amortisation + interest + loss on sale of fixed assets

(2) Debt service = Interest + lease payment + principal repayments

(3) Cost of goods sold includes purchase of stock in trade and change in inventories of stock in trade

(4) Net credit purchase includes purchase of stock-in-trade , change in inventories of stock-in-trade, outsourcing costs and other expenses

(5) Working capital = current assets - current liabilities

(6) Capital employed = Tangible net worth + total debt + deferred tax liability

(7) Tangible network = Network - goodwill - other intangible assets - deferred tax assets

(8) Average is calculated based on simple average of opening and closing balances.

**Explanation where change in the ratio is more than 25%**
**Debt service coverage ratio**

Debt service coverage ratio has improved due to pay off of car loan borrowing in FY 21-22.

**Debt equity ratio**

Debt equity ratio has improved due to pay off of car loan borrowing in FY 21-22.

**Trade receivables turnover ratio**

Trade receivables turnover ratio has improved due to increase in profit from FY 2020-21.

**Return on equity ratio**

Return on equity ratio has improved due due to increase in profit from FY 2020-21.

**Return on capital employed**

Return on capital employed has improved due to increase in profit as compared to FY 2020-21.

**Net profit ratio**

Net profit Ratio has improved due to increase in profit as compared to FY 2020-21.

**Net capital turnover ratio**

Net capital turnover ratio has improved due to increase in current ratio.

**HCL Comnet Systems and Services Limited****Notes to financial statements for the year ended 31 March 2022**

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

**2.28 Micro and small enterprises**

As per information available with the management, the dues payable to enterprises covered under “The Micro, Small and Medium Enterprises Development Act, 2006” are as follows:

	For the year ended 31 March 2022		For the year ended 31 March 2021	
	Principal	Interest	Principal	Interest
Amount due to Vendor	-	-	-	-
Principal amount paid beyond the appointed date	-	-	-	-
Interest under normal credit terms				
Accrued and unpaid during the year	-	-	-	3
Total interest payable	-	3	-	-
Accrued and unpaid during the year	-	-	-	3

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

**2.29 Change in classification**

1. Pursuant to amendment in Schedule III to the Companies Act, 2013, effective from 1 April 2021, the Company has modified the classification of certain assets and liabilities. Comparative amounts in the notes to the standalone financial statements were reclassified for consistency.

	As earlier reported	Revised	Difference
Financial liabilities			
Borrowings	-	176	(176)
Trade payable - unbilled and accruals	-	259,632	(259,632)
Others	261,746	1,938	259,808

**2.30** No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”) with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

As per our report of even date

**FOR B S R & Co. LLP**

**Firm's Registration No.: 101248W/W-100022**

Chartered Accountants

**For and on behalf of the Board of Directors**

**of HCL Comnet Systems and Services Limited**

**Rakesh Dewan**

**Partner**

Membership Number: 092212

**Atul Kumar Jain**

Director

**Goutam Rungta**

Director

Place: Gurugram, India

Date: 22 July 2022

Place: Noida (UP), India

Date: 22 July 2022