HCL (Brazil) Technologia da informacao EIRELI

Financial Statements

For the years ended 31st December 2021 and 2020

HCL (Brazil) Technologia da informacao EIRELI
Balance Sheet as at 31 December 2021
(All amounts in thousands except share data and as stated otherwise)

		Note No.	As at 31 December 2021	As at 31 December 2020
I.	**ASSETS**		**(BRL)**	**(BRL)**
	(1) Non-current assets			
	(a) Property, plant and equipment	**2.1A**	36,086	23,115
	(b) Capital work in progress		524	73
	(c) Right-of-use asset	**2.23**	3,461	5,185
	(d) Goodwill	**2.1B**	13,694	13,694
	(e) Other intangible assets	**2.2**	2,191	1,830
	(f) Financial assets			
	(i) Others	**2.3**	3,396	12,255
	(g) Deferred tax assets (net)	**2.21**	35,385	15,874
	(h) Other non-current assets	**2.4**	2,111	2,208
	(2) Current assets			
	(a) Inventories	**2.5**	1,563	3,382
	(b) Financial assets			
	(i) Trade receivables	**2.6**	158,297	55,056
	(ii) Cash and cash equivalents	**2.7**	15,955	19,625
	(iii) Others	**2.3**	29,940	48,397
	(c) Current tax assets (net)		-	813
	(d) Other current assets	**2.8**	44,941	23,155
	TOTAL ASSETS		**347,544**	**224,662**
II.	**EQUITY**			
	(a) Equity share capital	**2.9**	82,511	30,505
	(b) Other equity		(12,362)	36,653
	TOTAL EQUITY		**70,149**	**67,158**
III.	**LIABILITIES**			
	(1) Non - current liabilities			
	(a) Financial Liabilities			
	(i) Lease Liabilities	**2.23**	4,133	4,291
	(b) Other non-current liabilities	**2.14**	392	51
	(2) Current liabilities			
	(a) Financial liabilities			
	(i) Borrowings	**2.11**	66,839	57,119
	(ii) Trade payables	**2.12**	50,716	42,262
	(iii) Lease liabilities	**2.23**	2,855	1,835
	(iv) Others	**2.13**	86,595	32,610
	(b) Provisions	**2.10**	9,386	7,777
	(c) Current tax liabilities (net)		22,113	-
	(e) Other current liabilities	**2.14**	34,366	11,559
	TOTAL LIABILITIES		**277,395**	**157,504**
	TOTAL EQUITY AND LIABILITIES		**347,544**	**224,662**
	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 Registration Number : 101248W/W-100022

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.15 19:31:03 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 15th July 2022

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.15 18:02:13 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Noida(UP), India
Date: 15th July 2022

HCL (Brazil) Technologia da informacao EIRELI
Statement of Profit and Loss for the year ended 31 December 2021
(All amounts in thousands except share data and as stated otherwise)

		Note No.	Year ended 31 December 2021 (BRL)	Year ended 31 December 2020 (BRL)
I	**Revenue**			
	Revenue from operations	**2.15**	290,022	265,853
	Other income	**2.16**	744	561
	Total income		**290,766**	**266,414**
II	**Expenses**			
	Purchase of stock in trade		5,182	39,094
	Changes in inventories of stock in trade	**2.17**	1,819	1,596
	Employee benefits expense	**2.18**	140,791	105,228
	Finance costs	**2.19**	1,702	2,926
	Depreciation and amortization expense		11,599	9,537
	Outsourcing costs		90,794	68,423
	Other expenses	**2.20**	29,157	42,269
	Total expenses		**281,044**	**269,073**
III	**Profit / (loss) before tax**		**9,722**	**(2,659)**
IV	**Tax expense**	**2.21**		
	Current tax		26,242	1,933
	Deferred tax charge (credit)		(19,510)	(3,559)
	Total tax expense		**6,732**	**(1,626)**
V	**Profit / (loss) for the year**		**2,990**	**(1,033)**
VI	**Other comprehensive Income/ (Loss)**		-	-
VII	**Total Comprehensive Income/(Loss) for the year**		**2,990**	**(1,033)**
	Earnings per equity share of BRL 1 each	**2.22**		
	Basic		0.04	(0.03)
	Diluted		0.04	(0.01)
	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 Registration Number : 101248W/W-100022

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.15 19:31:41 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 15th July 2022

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.15 18:02:26 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Noida(UP), India
Date: 15th July 2022

HCL (Brazil) Technologia da informacao EIRELI
Statement of Changes in Equity for the year ended 31 December 2021
(All amounts in thousands except share data and as stated otherwise)

(Amount in BRL)

	Equity share capital		Other equity		
	Number of Shares	**Share capital**	**Share application money**	**Retained Earnings**	**Total Other Equity**
Balance as of January 1, 2020	30,505,266	30,505	-	(14,318)	(14,318)
Share Application money pending allotment	-	-	52,005		52,005
Loss for the year	-	-	-	(1,033)	(1,033)
Total comprehensive income for the year	**-**	**-**	**-**	**(1,033)**	**(1,033)**
Balance as of December 31, 2020	**30,505,266**	**30,505**	**52,005**	**(15,352)**	**36,653**
Balance as of January 1, 2021	30,505,266	30,505	52,005	(15,352)	36,653
Allotment of shares pending for allotment in previous year	52,005,000	52,005	(52,005)		(52,005)
Profit for the year	-	-	-	2,990	2,990
Total comprehensive income for the year	**-**	**-**	**-**	**2,990**	**2,990**
Balance as of December 31, 2021	**82,510,266**	**82,510**	**-**	**(12,362)**	**(12,362)**

Refer note 1 for summary of significant accounting policies

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 Registration Number : 101248W/W-100022

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.15 19:32:06 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 15th July 2022

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.15 18:02:41 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Noida(UP), India
Date: 15th July 2022

HCL (Brazil) Technologia da informacao EIRELI
Statement of Cash flow for the Year ended 31 December 2021
(All amounts in thousands except share data and as stated otherwise)

	Year ended 31 December 2021 (BRL)	Year ended 31 December 2020 (BRL)
A. Cash flows from operating activities		
Profit/(loss) before tax	9,722	(2,659)
Adjustment for:		
Depreciation and amortization expense	11,599	9,537
Interest income	(744)	(561)
Unrealised exchange loss/(gain) on short term loans	5,888	8,923
Interest expenses	1,235	2,297
Loss on sale of intangible asset	13	-
Provision for doubtful debts / bad debts written off	202	1,338
	27,915	**18,875**
Net Change in		
Trade receivables	(103,443)	13,868
Inventories	1,819	1,596
Other financial assets and other assets	5,629	(37,395)
Trade payables	8,454	(1,440)
Provisions, other financial liabilities and other liabilities	75,910	(9,225)
Cash generated from (used in) operations	**16,284**	**(13,721)**
Direct taxes paid (net of refunds)	(3,318)	(6,044)
Net cash flow from (used in) operating activities (A)	**12,966**	**(19,765)**
B. Cash flows from investing activities		
Purchase of property,plant and equipment, including capital work in progress and capital advances	(17,600)	(13,961)
Proceeds from sale of property, plant and equipment	861	837
Purchase of intangible assets	(987)	(67)
Interest received	744	561
Net cash used in investing activities (B)	**(16,982)**	**(12,630)**
C. Cash flows from financing activities		
Proceeds from share application money	-	52,005
Proceeds from short term borrowings	3,832	6,051
Payment of lease liabilities including interest	(2,970)	(2,140)
Interest paid	(516)	(3,920)
Net cash flow from financing activities (C)	**346**	**51,996**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(3,670)	19,600
Cash and cash equivalents at the beginning of the year	19,625	25
Cash and cash equivalents at the end of the year as per note 2.7	**15,955**	**19,625**

Summary of significant accounting policies (Note 1)

The accompanying notes are an integral part of the Financial statements

As per our report of even date.

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

VIMAL CHAUHAN
Digitally signed by VIMAL CHAUHAN
Date: 2022.07.15 19:32:41 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 15th july 2022

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN
Digitally signed by RAGHU RAMAN LAKSHMANAN
Date: 2022.07.15 18:02:55 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Noida(UP), India
Date: 15th July 2022

ORGANIZATION AND NATURE OF OPERATIONS

HCL (Brazil) Technologia da informacao EIRELI. (Formerly known as HCL (Brazil) Technologia da informacao Ltda) (herein after referred to as the "Company") is primarily engaged in providing a range of software services and infrastructure services. The company was incorporated in Brazil on 30 December, 2008, having registered office at Nº 205, Conjunto 12 - Edificio Continental Square São Paulo, Bairro Vila Olímpia, São Paulo – Brasil CEP 04551-000

The Financial statements for the year ended 31 December, 2021 were approved and authorized for issue by the Board of Directors on 15th July, 2022.

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements.

The Company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements do not constitute a set of statutory financial statements in accordance with local laws of the Country in which the Company is incorporated.

These financial statements are prepared for the use of the Company and the ultimate holding Company, HCL Technologies Limited, to comply with the requirements of the Act.

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 functional currency of the Company is Brazilian Real.

b) Use of estimates

The preparation of Financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) and contingent liabilities that are reported and disclosed in the Financial statements and accompanying notes. These estimates are based upon management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in estimates are reflected in the Financial statements in the period in which the changes are made.

Significant estimates and assumptions are used for, but not limited to,

i. Accounting for costs expected to be incurred to complete performance under fixed price projects , refer note 1(j)
ii. Allowance for uncollectible accounts receivables, refer note 1(m)(i)
iii. Recognition of income and deferred taxes, refer note 1(l) and note 2.21
iv. Useful lives of property, plant and equipment, refer note 1(f)
v. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(c)
vi. Key assumptions used for impairment of goodwill, refer note 1(h)
vii. Provisions and contingent liabilities, refer note 1(o)

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

c) Leases

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

Where the Company as the lessee

The Company leases office spaces and accommodation for its employees under operating lease agreements. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

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

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

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Company’s incremental borrowing rate, which approximates the rate at which the Company would borrow, in the country where the lease was executed. The Company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The Company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight line basis over the lease term in the statement of profit and loss. For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

Where the Company is the lessor

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

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

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

d) Inventories

Stock in trade is valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock in trade procured for specific projects is assigned by identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project are determined using the weighted average cost formula.

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

f) Property, plant and equipment

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

All other expenses on existing fixed assets, including day – to - day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss during the period during which such expenses are incurred.

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

Property, plant and equipment under construction and cost of assets not ready for use before 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 following assets for computing depreciation are as follows: -

	Life (in years)
Computers	4-5
Plant and machinery (including air conditioner and electrical installations)	10
Furniture and fixtures	7
Leasehold Improvements	Over the lease period or useful life of the asset, whichever is lower

The useful life as given above best represents the period over which the management expects to use these assets, based on technical assessment. Hence, the useful life for the assets is different from the useful life prescribed under Part C of Schedule II of the Companies Act 2013.

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

g) Intangible assets and Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

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 mentioned below.

	Life (in years)
Software	3
Customer relationships	10

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

h) Impairment of non-financial assets

Goodwill

Goodwill is tested annually on December 31, for impairment, or earlier whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGU) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in subsequent periods.

Intangible assets and property, plant and equipment

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

i) Fair value measurement

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

The guidance of fair value specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires a company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

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

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

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

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

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

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

c) Cost approach – Replacement cost method.

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

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

j) Revenue Recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. A contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

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

Revenue from product sales are shown net of applicable taxes, discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Time-and-material contracts

Revenue with respect to time-and-material contracts is recognized as the related services are performed.

Revenue from product sales are shown net of sales tax and applicable discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item is also deferred. Revenue from maintenance services is recognized ratably over the period of the contract.

Revenue is recognized net of discounts and allowances, value-added tax, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Proprietary Software Products

Revenue from distinct proprietary perpetual license software is recognized at a point in time at the inception of the arrangement when control transfers to the client. Revenue from proprietary term license software is recognized at a point in time for the committed term of the contract. In case of renewals of proprietary term licenses with existing customers, revenue from term license is recognized at a point in time when the renewal is agreed on signing of contracts. 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. Revenue from these proprietary software products is classified under sale of services.

Multiple performance obligations

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

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future 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 and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue or cost, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably being group control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out of-pocket expenses included in cost of revenues.

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

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

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.

k) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at its 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 or 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.

l) Taxation

Income tax expense comprises current and deferred income tax.

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest.

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

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.
Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

m) Financial Instruments

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

i) Financial assets

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

Cash and cash equivalent

Cash and cash equivalents in the balance sheet comprise cash in banks, which is subject to an insignificant risk of changes in values.

Financial instruments at amortized cost

A financial instrument is measured at the amortized cost if both the following conditions are met:

The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue trade and other receivables.

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 statement of profit and loss.

ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortized cost

The Company’s financial liabilities at amortized cost includes trade payables, borrowings including bank overdrafts and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

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

Offsetting of financial instruments

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

n) Earning per share

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

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

o) Provisions & 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 at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

p) Retirement and other employee benefits

Contributions to defined contribution plans are recognized as expense when employees have rendered services entitling them to such benefits.

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 expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur.

q) Borrowing costs

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

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

r) 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 standalone financial statements of the Company:

Onerous Contracts – Cost of Fulfilling a Contract (Amendment to Ind AS 37)
The amendments clarify 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 standalone financial statements.

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

2.1A Property, plant and equipment

The changes in the carrying value for the year ended 31 December 2021

	Leasehold Improvement	Plant and equipment	Computers	Furniture And Fixture	Total
	(BRL)	(BRL)	(BRL)	(BRL)	(BRL)
Gross block as at 1 January 2021	6,263	2,490	38,212	580	47,545
Additions	118	-	22,977	-	23,095
Deletions/Adjustments	43	232	4,029	-	4,304
Gross block as at 31 December 2021	6,338	2,258	57,160	580	66,336
Accumulated depreciation as at 1 January 2021	2,041	1,297	20,578	514	24,430
Charge for the year	874	232	8,146	11	9,263
Deletions/Adjustments	-	146	3,297	-	3,443
Accumulated depreciation as at 31 December 2021	2,915	1,383	25,427	525	30,250
Net block as at 31 December 2021	3,423	875	31,733	55	36,086

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

	Leasehold Improvement	Plant and equipment	Computers	Furniture And Fixture	Total
	(BRL)	(BRL)	(BRL)	(BRL)	(BRL)
Gross block as at 1 January 2020	2,008	1,612	30,622	533	34,775
Additions	4,255	878	8,515	47	13,695
Deletions/Adjustments	-	-	925	-	925
Gross block as at 31 December 2020	6,263	2,490	38,212	580	47,545
Accumulated depreciation as at 1 January 2020	1,386	1,132	14,120	505	17,143
Charge for the year	655	165	6,546	9	7,375
Deletions/Adjustments	-	-	88	-	88
Accumulated depreciation as at 31 December 2020	2,041	1,297	20,578	514	24,430
Net block as at 31 December 2020	4,222	1,193	17,634	66	23,115

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

2.1B Goodwill

The changes in the carrying value for the year ended 31 December 2021

	Goodwill on acquisition of business	Total (BRL)
Gross block as at 1 January 2020	13,728	13,728
Adjustments during measurement period*	(34)	(34)
Gross block as at 31 December 2020	**13,694**	**13,694**
Gross block as at 1 January 2021	13,694	13,694
Gross block as at 31 December 2021	**13,694**	**13,694**

*Reduction in the amount of Goodwill is due to adjustment in amount of DTL created on customer relationship recognised at the time of IBM business acquisition.

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

Goodwill is tested annually on December 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired. Impairment is recognized, when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The estimated value-in-use of this CGU is based on the future cash flow forecasts for 5 years & then on perpetuity on the basis of certain assumptions which include revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirement. The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital". The key assumptions are as follows:

	As at 31 December 2021	As at 31 December 2020
Growth rate (%)	6-10	6-10
Terminal growth rate (%)	2	2
Pre tax Discount rate (%)	12.21	12.73

As at 31 December 2021 & 31 December 2020 the estimated recoverable amount of the CGU exceeded its carrying amount and accordingly, no impairment was recognized. An analysis of the sensitivity of the computation to a change in key assumptions based on reasonable probability did not identify any probable scenario in which the recoverable amount of the CGU would decrease below its carrying amount.

HCL (Brazil) Technologia da informacao EIRELI
Notes to financial statements for the year ended 31 December 2021
(All amounts in thousands except share data and as stated otherwise)

2.2 Other Intangible Assets

The changes in the carrying value for the year ended 31 December 2021

	Software	Customer Relationship	Total
	(BRL)	(BRL)	(BRL)
Gross block as at 1 January 2021	378	2,141	2,519
Additions	987	-	987
Deletions/Adjustments	110	-	110
Gross block as at 31 December 2021	1,255	2,141	3,396
Accumulated depreciation as at 1 January 2021	250	439	689
Charge for the year	244	369	613
Deletions/Adjustments	97	-	97
Accumulated depreciation as at 31 December 2021	397	808	1,205
Net block as at 31 December 2021	858	1,333	2,191

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

	Software	Customer Relationship	Total
	(BRL)	(BRL)	(BRL)
Gross block as at 1 January 2020	311	2,141	2,452
Additions	67	-	67
Gross block as at 31 December 2020	378	2,141	2,519
Accumulated depreciation as at 1 January 2020	169	83	252
Charge for the year	81	356	437
Accumulated depreciation as at 31 December 2020	250	439	689
Net block as at 31 December 2020	128	1,702	1,830

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

2.3 Other financial assets

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Non - current		
Carried at amortized Cost		
Finance lease receivables	3,395	12,255
Security deposits	1	-
	3,396	**12,255**
Current		
Carried at amortized Cost		
Finance lease receivables	14,999	15,896
Unbilled receivable	7,534	5,888
Unbilled receivable-related parties (refer note no. 2.24)	7,407	26,613
	29,940	**48,397**

2.4 Other non- current assets

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Unsecured considered good unless otherwise stated		
Advances other than capital advances		
Security deposits	-	5
Others		
Prepaid expenses	806	1,363
Deferred contract cost	1,305	840
	2,111	**2,208**

2.5 Inventories

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Inventories (valued at lower of cost and net realisable value)		
Stock in trade	1,563	3,382
	1,563	**3,382**

2.6 Trade receivable

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Unsecured considered good (refer below note)	160,632	57,189
	160,632	**57,189**
Impairment Allowance for bad and doubtful debts	(2,335)	(2,133)
	158,297	**55,056**

Note: Includes receivables from related parties amounting to BRL 50,645 and previous year ended on 31 December 2020, BRL 12,047 (refer note 2.24).

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

2.7 Cash and cash equivalent

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Balance with banks		
- in current accounts	15,955	19,625
	15,955	**19,625**

2.8 Other current assets

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Unsecured , considered good		
Advances other than capital advances		
Advances to employees	605	324
Advances to suppliers	319	35
Others		
Deferred contract cost	1,693	897
Deferred contract cost-related parties (refer note no. 2.24)	27,735	4,005
Prepaid expenses	2,828	2,756
Withholding and other taxes receviable	11,761	15,138
	44,941	**23,155**

2.9 Share Capital

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Authorized		
81,510,266 (31 December 2020, 30,505,266) equity shares of BRL 1 each	82,510	30,505
Issued, subscribed and fully paid up		
81,510,266 (31 December 2020, 30,505,266) equity shares of BRL 1 each	82,510	30,505

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of BRL 1/-. Each holder of equity shares is entitled to one vote per share.

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

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

	As at			
	31 December 2021		**31 December 2020**	
	No. of shares	BRL	No. of shares	BRL
Number of shares at the beginning	30,505,266	30,505	30,505,266	30,505
Add: Shares issued during the year	52,005,000	52,005	-	-
Number of shares at the end	82,510,266	82,510	30,505,266	30,505

Shares held by holding/ultimate holding company and/or their subsidiaries/associates:-

Name of the shareholder	As at			
	31 December 2021		**31 December 2020**	
	No. of shares	% holding in the class	% holding in the class	No. of shares
Equity shares of BRL 1 each fully paid				
HCL Latin America Holding LLC	82,510,266	100	30,505,266	100

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

Name of the shareholder	As at			
	31 December 2021		**31 December 2020**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of BRL 1 each fully paid				
HCL Latin America Holding LLC	82,510,266	100	30,505,266	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 are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back immediately preceding the reporting date from date of incorporation

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 and short term borrowing from related parties.

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

2.10 Provisions

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Current		
Provision for employee benefits		
Provision for leave benefits	9,386	7,777
	9,386	**7,777**

2.11 Borrowings

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Short term borrowings		
Unsecured		
Loan from related parties (refer note 2.24) (refer note below)	66,839	57,119
	66,839	**57,119**

Note:
Loan from related parties were availed for management of working capital.

2.12 Trade payables

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Trade payables	7,366	8,904
Trade payables-related parties (refer note no. 2.24)	43,350	33,358
	50,716	**42,262**

2.13 Other financial liabilities

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Current		
Carried at amortized Cost		
Capital accounts payables	3,618	1,005
Interest payable -related parties (refer note 2.24)	987	767
Employee bonuses accrued	2,414	1,727
Other employee costs	3,070	2,229
Others		
Liabilities for expenses	15,970	16,314
Liabilities for expenses-related parties (refer note no. 2.24)	60,536	10,568
	86,595	**32,610**

2.14 Other liabilities

	As at	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Non - Current		
Contract liabilities (refer note 2.15)	392	51
	392	**51**
Current		
Contract liabilities (refer note 2.15)	15,414	7,166
Employee travel provision	157	144
Advances received from customers	1,414	1,284
Others		
Withholding and other taxes payable	17,381	2,965
	34,366	**11,559**

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

2.15 Revenue from operations

	Year ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Sale of services	276,853	214,803
Sale of hardware and software	13,169	51,050
	290,022	**265,853**

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

	Year ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Contract type		
Fixed price	266,254	251,751
Time and material	23,768	14,102
Total	**290,022**	**265,853**
Geography wise		
America	21,719	21,594
Europe	38,610	6,521
India	25,064	51,026
Others	204,629	186,712
	290,022	**265,853**

Remaining performance obligations
As at 31 December 2021, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was BRL 256,916 (31 December 2020 , Nil) out of which, approxiametly 41% is expected to be recognized as revenues within one year and the balance beyond one year. This is after exclusions 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.

Contract balances

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

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized

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

	Year ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Balance as at beginning of the year	7,218	15,784
Additional amounts billed but not recognized as revenue	127,591	87,689
Deduction on account of revenues recognized during the year	(119,003)	(96,255)
Balance as at end of the year	**15,806**	**7,218**

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

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

	Year ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Balance as at beginning of the year	5,742	13,917
Additional cost capitalized during the year	121,039	83,361
Deduction on account of cost amortized during the year	(96,047)	(91,536)
Balance as at end of the year	**30,734**	**5,742**

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

2.15 Revenue from operations (continued)

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

	Year Ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Contracted Price	290,022	265,932
Reduction towards variable consideration components	-	79
Revenue recognised	**290,022**	**265,853**

The reduction towards variable consideration comprises of volume discount, service level credits etc.

2.16 Other income

	Year Ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Interest income		
- Others	744	561
	744	**561**

2.17 Changes in inventories of traded goods

	Year Ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Opening stock	3,382	4,978
Closing stock	1,563	3,382
	1,819	**1,596**

2.18 Employee benefits expense

	Year Ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Salaries, wages and bonus	112,218	85,097
Social security contribution	18,703	12,856
Leave encashment	9,869	7,102
Staff welfare expenses	1	173
	140,791	**105,228**

2.19 Finance cost

	Year Ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Interest		
-on loans from banks	25	731
-on leased assets	499	472
-others	711	1,094
Bank charges	467	629
	1,702	**2,926**

2.20 Other expenses

	Year Ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Rent	240	153
Power and fuel	248	320
Insurance	128	101
Repairs and maintenance		
- Plant and machinery	739	294
- Buildings	38	182
- Others	1,820	2,679
Communication costs	1,255	1,280
Travel and conveyance	1,213	1,436
Business promotion	348	270
Legal and professional charges	3,129	3,459
Rates and taxes	11,555	11,923
Provision for doubtful debts / bad debts written off	202	1,338
Recruitment, training and development	28	46
Exchange differences (net)	7,571	18,223
Miscellaneous expenses	643	565
	29,157	**42,269**

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

2.21 Income taxes

	Year ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Income tax charged to statement of profit and loss		
Current income tax charge	26,242	1,933
Deferred tax (credit)	(19,510)	(3,559)
	6,732	**(1,626)**

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

	Year ended	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Profit before income tax	9,722	(2,659)
Statutory Tax rate	33.97%	33.6%
Expected tax expense	3,303	(894)
Adjustment in respect of prior years	3,090	(1,052)
Permanent Differences	500	365
Others	(161)	(45)
Total taxes	**6,732**	**(1,626)**
Effective income tax rate	**69%**	**61%**

Components of deferred tax assets and liabilities as on 31 December 2021 **(Amount in BRL)**

	Opening balance	Recognized in profit and loss	Recognized in acquisition	Closing balance
Deferred tax assets				
Provision for doubtful debts	722	71	-	793
Unrealised foreign exchange loss	7,432	769	-	8,201
Accured employee cost	1,577	507	-	2,084
Provision for expenses	6,341	16,763	-	23,104
Right of Use Assets	19	24	-	43
Adjustment for credit notes	4,286	243	-	4,528
Adjustment for depreciation	812	387	-	1,199
Deferred tax assets	**21,189**	**18,764**	**-**	**39,954**
Deferred tax liabilities				
Others	5,349	(746)	-	4,603
Intangibles	(34)	-	-	(34)
Deferred tax liabilities	5,315	(746)	-	4,569
Net deferred tax assets	**15,874**	**19,510**	**-**	**35,385**

Components of deferred tax assets and liabilities as on 31 December 2020 **(Amount in BRL)**

	Opening balance	Recognized in profit and loss	Recognized in acquisition	Closing balance
Deferred tax assets				
Provision for doubtful debts	274	448	-	722
Unrealised foreign exchange loss	2,690	4,742	-	7,432
Accured employee cost	1,911	(334)	-	1,577
Provision for expenses	3,087	3,254	-	6,341
Right of use asset	-	19	-	19
Adjustment for credit notes	4,248	38	-	4,286
Adjustment for deprecation	767	45	-	812
Deferred tax assets	**12,977**	**8,212**	**-**	**21,189**
Deferred tax liabilities				
Others	-	5,349	-	5,349
Intangibles	696	(696)	34	(34)
Deferred tax liabilities	696	4,653	34	5,315
Net deferred tax assets	**12,281**	**3,559**	**(34)**	**15,874**

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

2.22 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Net profit as per Statement of profit and loss for computation of EPS	2,990	(1,033)
Weighted average number of equity shares outstanding - Basic	75,956,211	30,505,266
Dilutive effect of share application money pending allotment	6,554,055	38,754,411
Weighted average number of equity shares outstanding - Diluted	82,510,266	69,259,677
Nominal value of equity shares	1	1
Earnings per equity share		
- Basic	0.04	(0.03)
- Diluted	0.04	(0.01)

2.23 Leases

i) Company As a Lessee

The Company leases office spaces and accommodation for its employees under operating lease agreements.

The details of right-of-use assets held by company are as follows:

	Year Ended	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Balance as at 1 January 2021	5,185	-
Transition impact of Ind AS 116	-	6,908
Depreciation charge for the year	(1,724)	(1,723)
	3,461	**5,185**

The recognition of lease liabilities is as follows:

	Year Ended	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Balance as at 1 January 2021	6,126	-
Transition impact of Ind AS 116	-	6,908
Additions	3,333	886
Amount recognised in statement of profit and loss as interest	499	472
Payment of lease liability	(2,970)	(2,140)
	6,988	**6,126**

The lease rentals recognised in the statement of profit and loss for the year is BRL 240 (BRL 153 in Previous Year) on account of short term leases.
Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 December 2021 and 31 December 2020:

	Year Ended	
	31 December 2021	**31 December 2020**
	(BRL)	**(BRL)**
Within One Year	3,224	2,223
One to two years	2,854	1,985
Two to three years	1,313	1,807
Two to three years	107	887
Thereafter	-	-
Total lease payments	7,498	6,902
Imputed interest	(510)	(776)
Total lease liabilities	**6,988**	**6,126**

ii) **Company As Lessor**

The Company has given networking equipment to its customers on finance lease basis. The future lease receivables in respect of assets given on finance lease as at 31 Dec 2021 are as follows:

	Total minimum lease payments receivable (BRL)	**Interest included in minimum lease payments receivable (BRL)**	**Present value of minimum lease payments receivable (BRL)**
Not later than one year	15,123	302	14,821
Later than one year and not later than 5 years	3,711	138	3,573
Total	**18,834**	**440**	**18,394**

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

The Company has given networking equipment to its customers on finance lease basis. The future lease receivables in respect of assets given on finance lease as at 31 December 2020 are as follows:

	Total minimum lease payments receivable (BRL)	**Interest included in minimum lease payments receivable (BRL)**	**Present value of minimum lease payments receivable (BRL)**
Not later than one year	16,963	1,067	15,896
Later than one year and not later than 5 years	12,579	324	12,255
Total	**29,542**	**1,391**	**28,151**

2.24 Related Party Transaction

a) Related Parties where control exists

Ultimate Holding Company
HCL Technologies Limited, India

Holding Company
HCL Latin America Holding, LLC

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

Ultimate Holding Company
HCL Technologies Limited, India

Holding Company
HCL Latin America Holding, LLC

Fellow Subsidiaries
HCL Mexico S. de R.L.
HCL America Inc.
HCL Technologies Corporate Services Limited
HCL Technologies Vietnam Company Limited
HCL Sweden AB
HCL (Netherlands) B.V.
HCL Technologies Beijing Co. Ltd.
HCL POLAND SP.Z O.O.
HCL AXON TECH. INC - SD
HCL Axon Solutions (Shanghai) Co. Ltd.
HCL Technologies B.V.
HCL Technologies Germany GmbH
HCL Technologies France
HCL Technologies Norway AS
HCL (Ireland Information) Systems Ltd.
PT HCL Technologies Indonesia
HCL Argentina S.A.
HCL Japan Limited
HCL Singapore Pte. Ltd.
HCL AXON MALAYSIA SDN BHD
HCL Axon (Pty) Ltd
HCL Technologies Philippines, Inc.
HCLTechnologies Sweden AB
HCL Technologies UK Ltd.
HCL Technologies Finland Oy
HCL Australia Services Pty. Ltd.
HCL Technologies Columbia S.A.S.
HCL Technologies (Shanghai) Limited
HCL GmbH
HCL Technologies (Thailand) Limited
HCL Technologies Belgium BVBA
HCL Technologies Denmark Aps
HCL Technologies Romania s.r.l.
HCL Hong Kong SAR Limited
Point to Point Products Ltd.
HCL Technologies Italy S.P.A.
HCL Istanbul Bilisim Teknolojileri Limited Sirketi
HCL Technologies Egypt Ltd.
Filial Espanola De HCL Technoloiges S.L.
HCLTechnologies Chile SPA
HCL Great Britain Ltd.
HCL Technologies (Taiwan) Limited
HCL Technologies Czech Republic S.R.O.
HCL Technologies Austria GmbH
HCL Arabia LLC
Telerx Marketing Inc
HCL (New Zealand) Ltd.
HCL Axon Technologies Inc.
HCL Axon Solutions (Shanghai) Co., Ltd
HCL Hungary KFT.
HCL Guatemala, SOCIEDAD ANÓNIMA

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

c) Transactions with related parties during the ordinary course of business **(BRL)**

	Ultimate Holding company		Holding company		Fellow subsidiaries	
	Year ended		Year ended		Year ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Outsourcing costs	57,411	35,952	-	81	14,286	17,387
Revenue	20,256	49,319	-	-	58,144	25,018
Cost of goods sold	-	-	-	-	-	7
Interest Expense	-	-	-	-	711	861

d) Outstanding balances of related parties **(BRL)**

	Ultimate Holding company		Holding company		Fellow subsidiaries	
	Year ended		Year ended		Year ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Liabilities for expenses	60,280	10,568	-	-	256	-
Trade payables	28,331	16,483	79	77	14,940	16,797
Deferred Contract Cost	27,735	4,005	-	-	-	-
Interest Payable	-	-	-	-	987	767
Unbilled Receivables	7,406	26,613	-	-	1	-
Trade Receivables	13,949	2,839	-	-	36,696	9,208
Short Term Borrowings	-	-	-	-	66,839	57,119

2.25 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's ultimate holding Company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assesing performane by business segment comprising IT and Business services, Engineering and R&D Services, and Products & Platforms segment. The ultimate holding company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disaggregation as per geography is given in note 2.15.

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

2.26 Financial Instruments

(a) Financial assets and liabilities

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

	Amortized Cost	Total Carrying Value
	BRL	BRL
Financial Assets		
Trade Receivables	158,297	158,297
Cash and Cash Equivalents	15,955	15,955
Others (refer note 2.3)	33,336	33,336
Total	**207,588**	**207,588**
Financial Liabilities		
Borrowings	66,839	66,839
Trade Payables	50,716	50,716
Lease Liabilities	6,988	6,988
Others (refer note 2.13)	86,595	86,595
Total	**211,138**	**211,138**

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

	Amortized Cost	Total Carrying Value
	BRL	BRL
Financial Assets		
Trade Receivables	55,056	55,056
Cash and Cash Equivalents	19,625	19,625
Others (refer note 2.3)	60,652	60,652
Total	**135,333**	**135,333**
Financial Liabilities		
Borrowings	57,119	57,119
Trade Payables	42,262	42,262
Lease Liabilities	6,126	6,126
Others (refer note 2.13)	32,610	32,610
Total	**138,117**	**138,117**

(b) Financial risk management

The Company's risk management policy aims to reduce volatility in Financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

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

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

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

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately BRL 14 for the year ended 31 December, 2021.

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

Non-derivative foreign currency exposure as of 31 December 2021 and 31 December 2020 in major currencies is as below:

	Net financial assets		Net financial liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD/BRL	822	14,670	67,088	81,699
EUR/BRL	85	8,704	909	12,434
CLP/BRL	89	3,247	2,529	5,932

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

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

2.26 Financial Instruments (continued)

Credit risk

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

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

	As at	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
Balance at the beginning of the year	2,133	812
Additional provision during the year	202	1,338
Deductions on account of write offs and collections	-	(17)
Balance at the end of the year	**2,335**	**2,133**

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

Maturity profile of the Company's financial statement based on contractual payment is as below :

	Year 1 (Current)	Year 2	Year 3	Year 4-5 and thereafter	Total
As at 31 December 2021 (BRL)					
Borrowings	66,839	-	-	-	66,839
Trade payables	50,716	-	-	-	50,716
Lease liabilities	3,224	2,854	1,313	108	7,499
Others financial liabilities	86,595	-	-	-	86,595
Total	**207,374**	**2,854**	**1,313**	**108**	**211,650**
As at 31 December 2020 (BRL)					
Borrowings	57,119	-	-	-	57,119
Trade payables	42,262	-	-	-	42,262
Lease liabilities	2,223	1,984	1,807	888	6,902
Others financial liabilities	32,610	-	-	-	32,610
Total	**134,214**	**1,984**	**1,807**	**888**	**138,892**

2.27 Commitments & Contingent Liablities

	As at	
	31 December 2021	31 December 2020
	(BRL)	(BRL)
(i) Capital and other commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,853	5,454
(ii) Contingent Liablities	-	-
	1,853	**5,454**

2.28 Subsequent event

The Company has evaluated all the subsequent events through 15th July 2022, which is the date on which these Financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the Financial statements.

3 Amounts less than BRL 0.50 thousands are rounded off to zero.

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

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.15 19:33:19 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 15th July 2022

For and on behalf of the Board of Directors
of HCL (Brazil) Technologia da informacao EIRELI

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.15 18:03:16 +05'30'

Raghu Raman Lakshmanan
Representing HCL Latin America Holdings LLC
Quotaholder

Noida(UP), India
Date: 15th July 2022