HCL Technologies Solution GmbH
(formerly Axon Solutions Schweiz GmbH)

Financial Statements

Years ended 31st March 2020 and 2019

HCL Technologies Solution GmbH (formerly Axon Solutions Schweiz GmbH)
Balance sheet as at 31 March 2020
(All amount are in thousands except stated otherwise)

		Note No.	As at 31 March 2020 (CHF)	As at 31 March 2019 (CHF)	As at 31 March 2020 (₹)
I.	**ASSETS**				
	(1) Non-current assets				
	(a) Intangible assets	**2.1**	4	-	316
	(b) Financial assets				
	(i) Others	**2.2**	11	-	877
	(c) Other non-current assets	**2.3**	553	943	43,298
	(2) Current assets				
	(a) Inventories	**2.4**	13	-	1,049
	(b) Financial assets				
	(i) Trade receivables	**2.5**	11,734	11,294	918,913
	(ii) Cash and cash equivalents	**2.6**	3,157	2,598	247,246
	(iii) Others	**2.2**	1,792	611	140,308
	(c) Other current assets	**2.7**	2,411	1,087	188,828
	TOTAL ASSETS		**19,675**	**16,533**	**1,540,835**
II.	**EQUITY**				
	(a) Equity share capital	**2.8**	120	120	9,398
	(b) Other equity		3,232	1,846	253,138
	TOTAL EQUITY		**3,352**	**1,966**	**262,536**
III.	**LIABILITIES**				
	(1) Current liabilities				
	(a) Financial liabilities				
	(i) Borrowings	**2.9**	893	2,484	69,919
	(ii) Trade payables	**2.12**	12,306	9,537	963,644
	(iii) Others	**2.10**	1,476	1,100	115,610
	(b) Other current liabilities	**2.13**	1,145	683	89,696
	(c) Provisions	**2.11**	6	-	499
	(d) Current tax liabilities (net)		497	763	38,931
	TOTAL EQUITY AND LIABILITIES		**19,675**	**16,533**	**1,540,835**
	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

RAKESH DEWAN Digitally signed by RAKESH DEWAN Date: 2020.09.03 20:12:43 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date:

For and on behalf of the Board of Directors
of HCL Technologies Solution GmbH

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.09.03 17:54:53 +05'30'

Subramanian Gopalakrishnan
Director

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Rahul Singh
Director

Date :

HCL Technologies Solution GmbH (formerly Axon Solutions Schweiz GmbH)
Statement of Profit and Loss for the year ended 31 March 2020
(All amount are in thousands except stated otherwise)

		Note No.	Year ended 31 March 2020 (CHF)	Year ended 31 March 2019 (CHF)	Year ended 31 March 2020 (₹)
I	**Revenue**				
	Revenue from operations	**2.14**	35,250	20,333	2,760,682
	Other income	**2.15**	5	17	396
	Total income		**35,255**	**20,350**	**2,761,078**
II	**Expenses**				
	Purchase of stock-in-trade		21	3	1,693
	Changes in inventories of stock-in-trade	**2.16**	(13)	-	(1,049)
	Employee benefits expense	**2.17**	418	472	32,736
	Finance costs	**2.18**	17	9	1,305
	Outsourcing costs		32,393	18,319	2,536,977
	Other expenses	**2.19**	922	647	72,220
	Total expenses		**33,758**	**19,450**	**2,643,882**
III	**Profit before tax**		**1,497**	**900**	**117,196**
IV	**Tax expense**	**2.20**			
	Current tax		111	322	8,656
V	**Profit for the year**		**1,386**	**578**	**108,540**
VI	**Total comprehensive income for the year**		**1,386**	**578**	**108,540**
	Earnings per equity share	**2.21**			
	Basic		11.55	4.82	904.50
	Diluted		11.55	4.82	904.50
	Summary of significant accounting policies	**1**			

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Partner
Membership Number: 092212

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Subramanian Gopalakrishnan
Director

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Rahul Singh
Director

Date :

HCL Technologies Solution GmbH (formerly Axon Solutions Schweiz GmbH)
Statement of Changes in Equity for the year ended 31 March 2020
(All amount are in thousands except stated otherwise)

(Amount in CHF)

	Equity share capital		Other equity	Total other equity
	Number of shares	Share capital	Reserves and surplus Retained earnings	
Balance as at 1 April 2018	120	120	1,268	**1,268**
Profit for the year	-	-	578	**578**
Total comprehensive income for the year	-	-	578	**578**
Balance as at 31 March 2019	120	120	1,846	**1,846**
Balance as at 1 April 2019	120	120	1,846	**1,846**
Profit for the year	-	-	1,386	**1,386**
Total comprehensive income for the year	-	-	1,386	**1,386**
Balance as at 31 March 2020	120	120	3,232	**3,232**

(Amount in INR)

	Equity share capital		Other equity	Total other equity
	Number of shares	Share capital	Reserves and surplus Retained earnings	
Balance as at 1 April 2019	120	9,398	144,570.37	144,570
Profit for the year	-	-	108,568	108,568
Total comprehensive income for the year	-	-	108,568	108,568
Balance as at 31 March 2020	120	9,398	253,138	253,138

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

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Rakesh Dewan
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Membership Number: 092212

Gurugram, India
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Rahul Singh
Director

Date :

HCL Technologies Solution GmbH (formerly Axon Solutions Schweiz GmbH)
Statement of Cash flows for the year ended 31 March 2020
(All amount are in thousands except stated otherwise)

		Year ended 31 March 2020 (CHF)	Year ended 31 March 2019 (CHF)	Year ended 31 March 2020 (₹)
A. Cash flows from operating activities				
Profit before tax		1,497	900	117,196
Adjustment for:				
Interest income		(5)	-	(396)
Interest expenses		9	4	718
Provision for doubtful debts		127	25	9,935
Operating profit before working capital changes		**1,628**	**929**	**127,452**
Movement in working capital				
(Increase) in trade receivables		(566)	(5,820)	(44,342)
(Increase) in inventories		(13)	-	(1,049)
Decrease /(Increase) in other non current assets		390	(281)	30,522
(Increase)/Decrease in other financial assets and other assets		(2,516)	(1,443)	(197,062)
Increase/(Decrease) in trade payables		2,769	6,907	216,833
(Decrease)/Increase in provisions, other financial liabilities and other liabilities		844	(743)	66,145
Cash (used in)/generated from operations		**2,535**	**(451)**	**198,510**
Direct taxes paid		(377)	-	(29,544)
Net cash flow from /(used in) operating activities	**(A)**	**2,158**	**(451)**	**168,966**
B. Cash flow from investing activities				
Purchase of property, plant and equipment and intangibles		(4)	-	(316)
Interest received		5	-	396
Net cash inflow from investing activities	**(B)**	**1**	**-**	**80**
C. Cash flows from financing activities				
Repayment of short term borrowings		(1,591)	(58)	(124,618)
Proceeds from short term borrowings		-	2,484	-
Interest paid		(9)	(3)	(718)
Net cash inflow (used in) /from financing activities	**(C)**	**(1,600)**	**2,423**	**(125,336)**
Net increase in cash and cash equivalents (A+B+C)		559	1,972	43,710
Cash and cash equivalents at the beginning of the year		2,598	626	203,536
Cash and cash equivalents at the end of the year as per note 2.6		**3,157**	**2,598**	**247,246**
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.

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Subramanian Gopalakrishnan
Director

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Rahul Singh
Director

Date :

ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Solution GmbH (Formerly Axon Solutions Schweiz GmbH) (hereinafter referred to as 'the Company') is a Business Transformation consultancy company aiming to provide medium and large size organizations with Business transformation solutions that encompass all elements of business consulting, solution implementation and ongoing application management. The Company was incorporated on May 2, 2002 in Zurich, having its registered office at Kirchgasse 24, 8024 Zurich, Switzerland.

The financial statements for the year ended 31 March, 2020 were approved and authorized for issue by the Board of Directors on 03 September 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation as per financial statement:

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

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

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

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 CHF (CHF). The translation from CHF to ₹ is included solely for the convenience of readers in India and has been performed using rate of CHF 1 = ₹ 78.3179, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amount represents, or have been or could be converted into, CHF at that or any other rate.

(b) Use of estimates

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

(c) Foreign currency and translation

Transactions in foreign currencies are initially recorded by company at reporting currency spot rates at the date the transaction first qualifies for recognition. Foreign-currency denominated monetary assets and liabilities are translated to the reporting currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the reporting currencies using the exchange rate in effect on the date of the transaction.

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

(d) 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.

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) Revenue recognition

Contracts involving provision of services and material

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

Time-and-material / Volume based / Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting).

Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates.

Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities.

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

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established. Revenues from unit-priced contracts are recognized as transactions are processed, based on objective measures of output.

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

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

Multiple performance obligation

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

If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a company is then allocated to each software obligation and lease deliverable. Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfilment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and recorded as Deferred contract cost and amortized, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the company is a principal to the transaction and net of costs when the company is acting as an agent between the customer and the vendor.

Several factors are considered to determine whether the company is a principal or an agent, most notably being company control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

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

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

Interest income

Interest attributable to balances in bank account as per banking rules of respective country has been recognized on actual basis as other income.

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

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.

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 by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

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

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, following initial recognition, 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 mentioned below:

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

(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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

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

(i) Inventory

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

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

(j) Provision 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.

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.

(k) Retirement and other employee benefits

i. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the period in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

ii. State Plans: The contribution to State Plans, a defined contribution plan namely Employees' Pension Scheme for the Company are charged to the statement of profit and loss.

(l) 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 equivalents
Cash in the balance sheet comprise cash in banks, which are subject to an insignificant risk of changes in value.

Financial instruments at amortized cost
A financial instrument is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Derecognition

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 - Initial recognition and measurement**

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.

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.

(m) Earnings per share (EPS)

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

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

(n) Leases

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

Company as a lessee

Company is lessee in case of office space. 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.

The Company has entered into short leases for term of 12 months or less and has elected to not recognize them in the balance sheet. Lease costs for these short-term leases are recognized on a straight-line basis over the lease term in the statement of profit and loss.

Company as a lessor

Leases in which 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 company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the present value of lease receivable.

After initial recognition, 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, company allocates the consideration in the contract between the lease components and the non-lease components on a relative standalone selling price basis.

Transition to Ind AS 116

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

The Company has adopted Ind AS 116, effective 1 April 2019. The Company has elected the lessee practical expedient to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Impact on financial statements

There is no impact of adoption of Ind AS 116 on the financial statements of the Company.

HCL Technologies Solution GmbH (formerly Axon Solutions Schweiz GmbH)
Notes to financial statements for the year ended 31 March 2020
(All amount are in thousands except stated otherwise)

2.1 Intangible assets

The changes in the carrying value for the year ended 31 March 2020 and 31 March 2019

	Software		
	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Gross block as at the start of the year	-	-	-
Additions	4	-	316
Disposals/other adjustments	-	-	-
Gross block as at the end of the year	**4**	**-**	**316**
Accumulated depreciation as at the start of the year	-	-	-
Charge for the year	-	-	-
Deduction/other adjustments	-	-	-
Accumulated depreciation as at the end of the year	**-**	**-**	**-**
Net block as at the end of the year	**4**	**-**	**316**
Estimated remaining useful life (in years)	**3**	**-**	**3**

2.2 Other financial assets

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Non - current			
Carried at amortized cost			
Finance lease receivables [refer note 2.22]	11	-	877
	11	-	877
Current			
Carried at amortized cost			
Unbilled receivables	962	427	75,284
Contract assets	824	184	64,527
Finance lease receivables [refer note 2.22]	6	-	497
	1,792	611	140,308

2.3 Other non- current assets

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Deferred contract cost	553	943	43,298
	553	**943**	**43,298**

2.4 Inventories

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Stock in trade	13	-	1,049
	13	-	1,049

HCL Technologies Solution GmbH (formerly Axon Solutions Schweiz GmbH)
Notes to financial statements for the year ended 31 March 2020
(All amount are in thousands except stated otherwise)

2.5 Trade Receivables

	As at		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Unsecured, considered good (refer note below)	11,779	11,319	922,434
Trade receivables which have significant increase in credit risk	107	-	8,350
	11,885	**11,319**	**930,784**
Impairment allowance for bad and doubtful debts	(152)	(25)	(11,872)
	11,734	**11,294**	**918,913**

Note:-

1. Includes receivables from related parties amounting to CHF 355 i.e. equivalent to INR 27,803 **(**31 March 2019- CHF 5,224**)**

2.6 Cash and cash equivalents

	As at		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Balance with banks			
- in current accounts	3,157	2,598	247,246
	3,157	**2,598**	**247,246**

2.7 Other current assets

	As at		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Unsecured , considered good			
Advances other than capital advances			
Advance to suppliers	1	21	109
Others			
Deferred contract cost	311	347	24,326
Deferred contract cost - related parties (refer note 2.25)	1,938	530	151,773
Prepaid expenses	13	29	1,027
Prepaid expenses - related parties (refer note 2.25)	-	3	-
Receivable expenses - related parties (refer note 2.25)	148	145	11,593
Other receivables	-	12	-
	2,411	**1,087**	**188,828**

2.8 Share capital

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Authorized 120 (31 March 2019, 120) quota shares of CHF 1000 each	120	120	9,398
Issued, subscribed and fully paid up 120 (31 March 2019, 120) quota shares of CHF 1000 each	120	120	9,398

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of CHF 1000/-. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

	As at					
	31 March 2020		31 March 2019		31 March 2020	
	No. of shares	Amount (CHF)	No. of shares	Amount (CHF)	No. of shares	Amount (₹)
Number of Quota shares at the beginning	120	120	120	120	120	9,398
Number of Quota shares at the end	120	120	120	120	120	9,398

Quota shares are normal equity shares.

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

Name of the shareholder	As at			
	31 March 2020		31 March 2019	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Quota shares of CHF 1000 each fully paid				
Axon Group limited, United Kingdom, the holding company	120	100.00%	120	100.00%

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

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

Capital management

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

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Notes to financial statements for the year ended 31 March 2020
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2.9 Borrowings

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Short term borrowings			
Unsecured			
Bank overdraft	893	2,484	69,919
	893	**2,484**	**69,919**

Bank overdrafts are taken by the company for management of working capital. The Company has availed bank line of credit at interest rate of LIBOR+1% p.a. which is repayable on demand.

2.10 Other financial liabilities

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Current			
Carried at amortized cost			
Interest accrued but not due on borrowings	-	2	-
Accrued salaries and benefits			
Employee bonuses accrued	1	-	104
Other employee costs	35	-	2,709
Others			
Liabilities for expenses	1,415	1,098	110,847
Capital accounts payables	25	-	1,950
	1,476	**1,100**	**115,610**

2.11 Provisions

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Current			
Provision for employee benefits			
Provision for leave benefits	6	-	499
	6	-	499

2.12 Trade payables

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Trade payables	66	198	5,163
Trade payables - related parties (refer note 2.25)	12,240	9,339	958,481
	12,306	**9,537**	**963,644**

2.13 Other current liabilities

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Pension payable	6	2	462
Deferred contract liability	295	319	23,113
Others			
Withholding and other taxes payable	844	362	66,121
	1,145	**683**	**89,696**

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2.14 Revenue from operations

	Year ended		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Sale of services	35,228	20,329	2,758,973
Sale of hardware and software	22	4	1,709
	35,250	**20,333**	**2,760,682**

Disaggregate Revenue Information

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

	Year ended		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Fixed Price	29,680	16,484	2,324,445
Time and material	5,570	3,849	436,237
	35,250	**20,333**	**2,760,682**

(b) The disaggregated revenue from customers by geographic area based on location of customer is as follows:

	Year ended		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
America	2,943	2,240	230,468
Europe	31,913	17,567	2,499,348
Others	394	526	30,866
Total	**35,250**	**20,333**	**2,760,682**

Remaining performance obligations

As at 31 March 2020, the aggregate amount of transation price allocated to remaining performance obligations as per the requirements of Ind AS 115 was CHF 39,172 thousand out of which, approximately 33.88% 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 balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Out of CHF 824 thousand of contract assets as on 31 March 2020, 100% pertains to current year.

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized.
The below table discloses the movement in balances of contract liabilities :

	Year ended		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Balances as at beginning of the year	319	2	25,031
Additional amounts billed but not recognized as revenue	-	319	-
Deduction on account of revenues recognized during the year	24	2	1,918
Balance as at end of the year	**295**	**319**	**23,113**

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

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

	Year ended		
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Balance as at beginning of the year	1,819	842	142,495
Additional cost capitalised during the year	1,938	977	151,773
Deduction on account of cost amortised during the year	956	-	74,870
Balance as at end of the year	**2,801**	**1,819**	**219,398**

Company has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (b) volume discounts; (c) termination/deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

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2.15 Other income

	Year ended		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Interest income			
- On bank balances	5	-	396
Expenses written back	-	17	-
	5	**17**	**396**

2.16 Changes in inventories of traded goods

	Year ended		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Opening stock	-	-	-
Closing stock	13	-	1,049
	13	**-**	**1,049**

2.17 Employee benefits expense

	Year ended		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Salaries, wages and bonus	398	393	31,189
Contribution to other employee funds	20	76	1,547
Staff welfare expenses	-	3	-
	418	**472**	**32,736**

2.18 Finance costs

	Year ended		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Interest			
Bank overdraft	9	3	718
Others	-	1	-
Bank charges	8	5	587
	17	**9**	**1,305**

2.19 Other expenses

	Year ended		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Rent	4	-	313
Insurance	12	8	950
Repairs and maintenance	18	-	1,406
Communication costs	404	409	31,652
Travel and conveyance	107	2	8,361
Legal and professional charges	19	17	1,521
Software license fee	24	4	1,881
Provision for doubtful debts / bad debts written off	127	25	9,935
Exchange differences (net)	207	115	16,201
Provision for loss on inventory	-	10	-
Business promotion	-	57	-
	922	**647**	**72,220**

2.20 Tax expense

	Year ended		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Income tax charged to statement of profit and loss			
Current income tax charge	319	322	24,951
Current tax liability true up in respect of previous years	(208)	-	(16,295)
	111	**322**	**8,656**

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

	Year ended		
	31 Mar 2020 (CHF)	**31 Mar 2019** (CHF)	**31 Mar 2020** (₹)
Profit before income tax	1,497	900	117,196
Statutory tax rate in Switzerland	21.26%	35.66%	21.26%
Expected tax expense	319	322	24,960
Reversal of prior year provision	(208)	-	(16,295)
Expected tax expense	**111**	**322**	**8,656**
Effective income tax rate	7.43%	35.66%	7.39%

There are no temporary differences during the year, accordingly no deferred taxes has been created.

2.21 Earnings Per Share

The computation of earnings per quota is as follows:

	Year ended	Year ended	Year ended
	31 March 2020	**31 March 2019**	**31 March 2020**
	(CHF)	**(CHF)**	**(₹)**
Net profit as per Statement of profit and loss for computation of EPS	1,386	578	108,540
Weighted average number of quotas outstanding in calculating of Basic EPS	120	120	120
Weighted average number of quotas outstanding in calculating dilutive EPS	120	120	120
Nominal value of quotas	1,000	1,000	78,318
Earnings per quota			
- Basic	11.55	4.82	904.50
- Diluted	11.55	4.82	904.50

2.22 Leases

(a) Company as a lessee

Company leases office spaces under operating lease agreements. The short term lease rental expense relating to leased premises recognised in the statement of profit and loss for the year is CHF 4 i.e. equivalent to INR 313 (31 March 2019- Nil).

(b) Company as a lessor

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

	Total minimum lease payments receivable		Interest included in minimum lease payments receivable		Present value of minimum lease payments receivable	
	(CHF)	**(INR)**	**(CHF)**	**(INR)**	**(CHF)**	**(INR)**
As on 31 March 2020						
Not later than one year	7	546	1	49	6	497
Later than one year and not later than 5 years	12	910	-	33	11	861
	19	1,456	1	82	17	1,358
As on 31 March 2019						
Not later than one year	-	-	-	-	-	-
Later than one year and not later than 5 years	-	-	-	-	-	-
	-	-	-	-	-	-

2.23 Employee Benefits

The Company has calculated benefit provided to employees as below:

Defined contribution plans and state plans

Superannuation and Social security contribution fund

During the year the Company have recognized the following amounts in the statement of profit & loss :-

	Year ended		
	31 Mar 2020 (CHF)	**31 Mar 2019** (CHF)	**31 Mar 2020** (₹)
Superannuation fund	2	16	157
Social security contribution	6	27	437
Total	**8**	**43**	**594**

2.24 Segment Reporting

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

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

Due to the reorganization of operations, the ultimate Holding Company effective 1 April 2019 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 has been included in note 2.14.

2.25 Related party transactions

a) Related parties where control exists

Holding company

Axon Group Limited

Ultimate holding company

HCL Technologies Limited

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

Ultimate holding company

HCL Technologies Limited

Fellow Subsidiary

HCL EAS Limited
HCL Technologies France SAS
HCL America Inc.
HCL Technologies Austria GmbH
HCL Great Britain Limited
HCL Poland Sp.z.o.o
HCL Technologies UK Limited
HCL Canada Inc.
Filial Espanola De HCL Technologies S.L
HCL Technologies Germany Gmbh
HCL GmbH
HCL Technologies Italy S.P.A
HCL Technologies (Shanghai) Limited
HCL Australia Services Pty. Limited
Axon Solutions (Shanghai) Co. Limited
HCL Technologies Norway AS
HCL Technologies B.V.
PT. HCL Technologies Indonesia Limited
HCL Technologies Sweden AB
HCL (Netherlands) BV
HCL Technologies Denmark Aps
HCL Singapore Pte. Limited
HCL Sweden AB
HCL Technologies Belgium BVBA
HCL Technologies Malaysia Sdn. Bhd.
HCL Technologies Finland Oy
HCL Technologies Lithuania UAB
HCL Technologies Corporate Services Limited
HCL Belgium NV
HCL Arabia LLC

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	Transactions with related parties during the normal course of business					
	Revenue	Outsourcing cost	Marketing cost	Administrative cost	Finance cost	Insurance
31 March 2020 (CHF)						
Ultimate Holding company	1,732	18,437	-	-	-	3
Holding company	-	-	-	-	-	-
Fellow subsidiaries	1,395	11,906	-	-	-	-
	3,127	**30,343**	**-**	**-**	**-**	**3**
31 March 2019 (CHF)						
Ultimate Holding company	5,706	10,020	57	2	-	-
Holding company	-	-	-	-	-	-
Fellow subsidiaries	238	3,232	-	-	1	-
	5,944	**13,252**	**57**	**2**	**1**	**-**
31 March 2020 ('₹)						
Ultimate Holding company	135,628	1,443,963	-	-	-	260
Holding company	-	-	-	-	-	-
Fellow subsidiaries	109,268	932,391	-	-	-	-
	244,896	**2,376,354**	**-**	**-**	**-**	

	Outstanding balances					
	Trade receivables	Interest accrued but not due on borrowings	Trade payables	Receivables expenses	Deferred cost	Prepaid expenses
31 March 2020 (CHF)						
Ultimate Holding company	249	-	9,895	148	1,938	-
Holding company	-	-	-	-	-	-
Fellow subsidiaries	106	-	2,345	-	-	-
	355	**-**	**12,240**	**148**	**1,938**	**-**
31 March 2019 (CHF)						
Ultimate Holding company	5,108	-	7,282	145	530	3
Holding company	-	-	-	-	-	-
Fellow subsidiaries	116	2	2,057	-	-	-
	5,224	**2**	**9,339**	**145**	**530**	**3**
31 March 2020 ('₹)						
Ultimate Holding company	19,469	-	774,847	11,593	151,773	-
Holding company	-	-	-	-	-	-
Fellow subsidiaries	8,334	-	183,686	-	-	-
	27,803	**-**	**958,533**	**11,593**	**151,773**	**-**

2.26 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March, 2020 & 31 March 2019 are as follows:

	As at		
	31 March 2020	**31 March 2019**	**31 March 2020**
	Amortized cost (CHF)	**Amortized cost (CHF)**	**Amortized cost (₹)**
Financial assets			
Trade receivables	11,734	11,294	918,913
Cash and cash equivalents	3,157	2,598	247,246
Unbilled receivables	961	427	75,284
Contract assets	824	184	64,527
Others (refer note 2.2)	18	-	1,374
Total	**16,694**	**14,503**	**1,307,344**
Financial liabilities			
Borrowings	893	2,484	69,919
Trade payables	12,306	9,537	963,644
Others (refer note 2.10)	1,476	1,100	115,597
Total	**14,675**	**13,121**	**1,149,160**

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

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

(b) Financial risk management

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

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 Foreign currency risk.

(i) Foreign currency risk

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. A significant portion of the company revenue is in Euro and USD while a large portion of costs are in CHF. The fluctuation in exchange rates in respect to CHF may not have potential impact on the statement of profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the company's profit before tax by approximately CHF 11,083 for the year ended 31 March, 2020.

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

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

	Net financial assets		**Net financial liabilities**	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
USD / CHF	2,151	695	249	1,671
EURO / CHF	2,018	1,474	2,292	2,615

2.26 Financial instruments (continued)

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalent, trade receivables and unbilled revenue.

The customers of the Company are primarily corporations based in Switzerland and accordingly, trade receivables are concentrated in Switzerland. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.
The allowance for lifetime expected credit loss on customer balances is as below:

	As at		
	31 March 2020	31 March 2019	31 March 2020
	(CHF)	(CHF)	(₹)
Balance at the beginning of the year	25	-	1,936
Additional provision during the year	127	25	9,935
Balance at the end of the year	**152**	**25**	**11,871**

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. All the liabilities outstanding as on balance sheet date are current only.

As per our report of even date

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

RAKESH DEWAN Digitally signed by RAKESH DEWAN Date: 2020.09.03 20:16:58 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date:

For and on behalf of the Board of Directors
of HCL Technologies Solution GmbH

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.09.03 17:58:43 +05'30'

Subramanian Gopalakrishnan
Director

RAHUL SINGH Digitally signed by RAHUL SINGH Date: 2020.09.03 17:58:12 +05'30'

Rahul Singh
Director

Date :